

JPRS-LAM-86-001

2 JANUARY 1986

Latin America Report

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

2 January 1986

LATIN AMERICA REPORT

CONTENTS

INTER-AMERICAN AFFAIRS

- Chilean Foreign Minister on Talks With Peru
(Jaime del Valle Interview; LA TERCERA DE LA HORA,
17 Nov 85)..... 1

ARGENTINA

- ERRATUM: HERALD Publishes Crespo Report on Falklands War
(BUENOS AIRES HERALD, 17 Nov 85) 4

CHILE

- Lowered Imports Raising Balance of Payments for 1985
(EL MERCURIO, 5 Nov 85)..... 12
- Central Bank Reports on Trade Balance Growth
(EL MERCURIO, 30 Oct 85)..... 14
- PS-Briones Rejects Dialogue With Government
(Juan Jorge Faundes; EFE, 3 Dec 85)..... 16
- Seguel Receives Spanish Labor Union Leaders
(EFE, 2 Dec 85)..... 18
- Military Involvement in Rights Violations Isolates Pinochet
(EL TIEMPO, 22 Oct 85)..... 20
- Opposition Leaders React to Valdes' Speech
(EL MERCURIO, 22 Nov 85)..... 22
- Allamand: Accord Can Accommodate Government, All Parties
(EL MERCURIO, 27 Oct 85)..... 24
- Influences Exerted on Copper Contracts Revealed to Nation
(Maria Jose Luque, Fernando Paulsen; ANALISIS,
22 Oct 85)..... 25

Opposition Ticket Wins University Elections (EL MERCURIO, 22 Nov 85).....	28
Concepcion University Conflict Nears Solution (Santiago Domestic Service, 28 Nov 85).....	29
Advisory Commission Completes Draft of Electoral Law (EL MERCURIO, 31 Oct 85).....	30
CHILE	
Briefs	
Court Indicts Mensaje Director	32
Consul to Barcelona	32
Fruit Fly Agreement With Peru	32
Canadian, Uruguayan Ambassadors	32
Santiago-Montevideo Flight	32
School Political Activities Banned	32
Wine Industry Problems Addressed	33
Refineries Show Substantial Losses	33
COSTA RICA	
Briefs	
PUN Denied Election Registration	34
CUBA	
Party Assemblies Discuss Inefficiency, Training Problems (BOHEMIA, Nos 38, 39; 20, 27 Sep 85).....	35
Holguin Meeting, by Miguel A. Masjuan	35
Villa Clara, Matanzas Meetings	36
Teenagers in 'Prevention Circles' Help To Combat Truancy (Jesus Barreto; MONCADA, Oct 85).....	39
Capture of Havana City Supermarket Thieves Recounted (Alfonso Puron; MONCADA, Oct 85).....	43
DOMINICA	
Briefs	
Charles on Constitution	46
Parties in Roseau Election	46
Coffee, Citrus Imports Ban	47
UK Marketing Assistance	47

GRENADA

Government, University To Evaluate Cuba Graduates (CANA, 8 Nov 85).....	48
Briefs	
BWIA Flight Cancellation	49
Call for Humphrey's Release	49
Far East Investment	49

NICARAGUA

CDN Addresses Conference for Peace, Democracy (LA REPUBLICA, 8 Nov 85).....	51
Problems With Managua Public Services Discussed (LA PRENSA, 5 Sep 85).....	53
Briefs	
Cooperation Agreement With Sweden	57
Polish Donation	57
Dutch Cooperation	58
Sweden Donates Farm Equipment	58
Hungarian Donation	58

PERU

Communist Deputy on APRA Policy, IU Factions, Terrorism (Gustavo Espinoza Montesinos Interview; EL NACIONAL, 3 Nov 85).....	59
PCP-PR Secretary General Discusses Issues (Alberto Moreno Interview; LA REPUBLICA, 27 Oct 85)....	64
First 3 Months of Garcia Presidency Evaluated (QUEHACHER, Oct/Nov 85).....	76
Economic Accomplishments, Difficulties, by Javier Iguiniz	76
10 Percent Policy Effects, by Humberto Campondonico	86
Garcia's Political Style, by Victor Hurtado	89
Political, International Policies, by Henry Pease Garcia	91
Urban Housing, Urgent Issue, by Mario Zolezzi	97
President Faces Choices, by Cesar Hildebrandt	101
Agricultural Policy Examined, by Orlando Plaza	103
Civil Guard, Police Receive Weapons Supply (EL COMERCIO, 11 Nov 85).....	109
Proposed Military Promotions Announced; Numbers Limited (EL COMERCIO, 13 Nov 85).....	110

Mining Enterprises Losing \$10 Per Ton Produced (EL COMERCIO, 11 Nov 85).....	112
Briefs	
New Wells, Exploration Planned	114
Iran, Nigeria New Markets	114
Record Man-Hours Lost in October	115
Garcia Statements at FAO Meeting	115
Aid to Peru	115
USSR-Peru Debt Negotiated	116
Argentine Credit Line	116
 ST LUCIA	
Compton at UWP Convention, Predicts Economic Upturn (CANA, 4 Nov 85).....	117
Banana Growers Review Security, Other Problems (THE WEEKEND VOICE, 12 Oct 85).....	119
Case of Teachers Union Official Investigated, Assessed (THE WEEKEND VOICE, 5, 12 Oct 85; CRUSADER, 12 Oct 85).	120
Union Statement	120
Police Probe	121
Workers Revolutionary Movement Role	121
New Youth Council Proceeding After Meeting With Government (THE WEEKEND VOICE, 12 Oct 85; CRUSADER, 12 Oct 85)....	124
Report on 5 October Session	124
Labour Organ's Coverage	125
 VENEZUELA	
Energy Minister on Diversification of Oil Exports Market (EL UNIVERSAL, 5 Nov 85).....	127
Government Announces Increase in Oil Royalties (C. R. Chavez; EL UNIVERSAL, 7 Nov 85).....	130
 Briefs	
Foreign Exchange Earnings	133

INTER-AMERICAN AFFAIRS

CHILEAN FOREIGN MINISTER ON TALKS WITH PERU

PY292058 Santiago LA TERCERA DE LA HORA (Sunday Supplement SEGUNDO CUERPO)
in Spanish 17 Nov 85 pp 2-3

[Interview with Chilean Foreign Minister Jaime del Valle; date and place not given]

[Excerpts] Question: One week after your negotiations with Peru what is your impression of the results?

[Del Valle] I'd have to say that initially I was optimistic about this contact. This optimism arose from the initial position of both governments, as well as that of President Pinochet, who from the moment that President Alan Garcia became president of Peru started, as they say, a dialogue with the special envoys Garcia sent to Chile. And also the position of the Peruvian president himself, who had shown through those special ambassadors and also in his conversation with me in Lima the political will to achieve a real rapprochement between the two countries and to solve the outstanding problems, and a willingness to face the future with imagination.

Obviously, this gave me considerable optimism at the start, for when the governments have the political desire, it becomes easier to resolve the concrete issues.

And when we began direct contacts and began a deeper analysis of the problems--which, of course, had constantly been under study at the Foreign Ministry, but now with a view to a quicker solution--my optimism remained and even stayed intact, thanks to the more frequent contacts with Peruvian Foreign Minister Wagner, with whom I found I could talk freely.

Question: Why did you feel that he was a credible partner?

[Del Valle] I would say that he is very frank, very sincere, and open.

Question: Is that why you called him "dear friend" the day that the joint statement was issued at the end of the talks in Arica? Did you say this from the bottom of your heart?

[Del Valle] I feel that way because we had several opportunities to get together, such as at Arica, where we were together many hours. This is sufficient to take the measure of a man, and I would say that the qualities that I mentioned are evident in him.

We both sized each other up very quickly, for in those talks there was no room for tactics nor for outmaneuvering each other, or to win a point here or pull a surprise there.

The dialogue had to be very frank and intense, and we were able to get a positive result from it. I have only praise for him.

Question: How do you explain how two governments so politically different as Chile and Peru can carry on such a thorough dialogue as they are now doing?

[Del Valle] I am convinced that the ideology that a government may have is not an absolute impediment to talks at any level, be it diplomatic, political, economic, trade, cultural, or what have you.

What greater disparities could there be than between us and China? And yet the cordiality and consideration that the Chinese governments have shown toward us is very great, and the advances that we have made in our talks and relations are stupendous.

In the case of Peru, we have also shown that this is true. We have done this with many countries with whom we have no significant political ties, and we have made a lot of progress with them.

In today's world, I have to think that there are more important things than a government's ideological preference, for that can change while other, more substantial and durable things remain.

Surely our relationship with Spain will last for centuries, for there has always been great affection between us. So how can we think for even a second that because there is a disparity in the thinking of the two governments that we could drift apart?

Question: In fact, there are some sectors that think like that....

[Del Valle] To the contrary, we both believe in democracy. Spain has returned to democracy after a long period of authoritarian government. And Chile's Constitution and government say that it will definitely return to full democracy in 1989 and that this is a transition period.

Question: You have talked of the social imperative for Chile today to improve the conditions of those living in extreme poverty. What is the importance of your diplomatic negotiations with Peru for Chileans who need help to improve their conditions?

[Del Valle] The development and progress of a country depends considerably on adequate solutions to its internal problems. But nothing is gained if, while these problems are being gradually worked out, the country at the same time has external problems, particularly with its important neighbors.

Of course, the contacts that a country has with its neighbors, their greater or lesser integration comprise a part of its development, and such integration will be trivial or nonexistent if there does not happen to be real understanding and peace.

So, the task of the Foreign Ministry is precisely to seek harmony with its neighbors and with all countries of the world through every means at its disposal, while keeping its fundamental principles.

Question: Is this the fundamental mission that you are heading?

[Del Valle] I have particularly taken upon myself the search for harmony, first and foremost with our neighboring countries. That is why this government began its task with Argentina, which has culminated. I have said repeatedly that this work is carried out by a team guided by the sure hand of President Pinochet.

And with Peru it is the same story; it is due to his direction and his political will, and there is a working team backing him up. I am again at the head of this team; and I am putting into it the same enthusiasm, the same faith, and the same optimism that I have from my first day at the ministry, as in the talks with Argentina.

I always said that I was optimistic about Argentina because I had great faith; and I said it in this case, too. Hardly had I entered the ministry and familiarized myself with the background of our relations with Peru than I felt absolute faith that we had to overcome this problem, and that's what we are on the way to doing.

Question: If you reach a good conclusion with Peru, and now that you have the peace agreement with Argentina, would you feel that you have a clear road ahead in your international tasks?

[Del Valle] It could be clear in respect to these two important problems. But when one task is finished, there are always others. A minister always has endless work, for the progress of mankind, of society, never stops. I believe that the day that a minister feels that he has completed his mission is the day that he fails, for his job does not end until he leaves office or he dies.

/6091

CSO: 3348/243

ERRATUM: This article republished
from JPRS-LAM-85-101 of 9 December 1985
to place it under its proper country
category.

ARGENTINA

HERALD PUBLISHES CRESPO REPORT ON FALKLANDS WAR

PY172022 Buenos Aires BUENOS AIRES HERALD in English 17 Nov 85 pp 14-15

[Acronyms are listed in a box within the body of the item; first paragraph
is source-supplied introduction printed in italics]

[Text] Acronyms

FAS: Air Force South
COATLANSUR: South Atlantic Command
UND: Units
Cte. TOS: Commander of Theatre of Operations South
CRV: Comodoro Rivedavia
CEOPECON: Strategic Command for Joint Operations
EM: Joint Chiefs of Staff
EOMM: Joint Chiefs (of the three forces)
FAA: Argentine Air Force
ADN: Training
SSMA TRINIDAD: Santisima Trinidad
MN: Minutes
KC: Maintenance of airborne aircraft
SAE: Strategic Air Command
FA: Air Force
BA: Bahia (Agradatle)
ROF: Tracking down of forces
ARA: Argentine Navy
TO: Theatre of Operations

Many of the basic themes involved in the "top secret" proceedings of the trial of the senior officers responsible for the performance of the Armed Forces in the Malvinas war were discussed in the unusually outspoken "Crespo Report" which the HERALD is now publishing in full. The report, which was obtained by CLARIN journalist Ernesto Jackson and of which extracts and summaries have already appeared, was drawn up by Brigadier Ernesto Crespo in the months following the conclusion of the war. Brigadier Crespo played a prominent role in the war and is now the chief of staff of the Air Force. When summaries of the report first appeared he declined to admit responsibility for it.

FUERZA AEREA ARGENTINA

MEMORANDUM

TO:

FAA chief of staff

FROM

Commander Air Force South.

Buenos Aires, July 1, 1982

Experiences Drawn From Air Force South Operation in the Malvinas Conflict
Doctrine

1) JOINT PLANNING, DIFFERENCES, CONSEQUENT PROBLEMS

AT FAS Command level there was no joint planning, as owing to the circumstances of its formation, it is a specific and thus independent command.

There was, however, coordination with COATLANSUR and TOS which was carried out with certain disadvantages owing to the following reasons.

a) COATLANSUR Plan 1/82. This Plan was not coordinated with FAS and was received after endorsement by the air unit assigned to it. It was plagued with serious doctrinal defects which encroached upon the responsibilities of the Air Force and also caused important operational mishaps, mainly affecting reconnaissance and verification of our own air and naval units, further complicating radio link-ups which were not fluid and were hardly adequate for aeronautical use, and which also displayed a significant interference with and lack of knowledge of measures which had already been taken and put into effect by the FAS Command. Because of this and inconveniences which arose as a result of the changing of the Code which was already in use, with the knowledge of the Air Units, the FAS did not accept it (Plan 1/82), coordinating instead certain parts of the plan related exclusively to communications, which resulted in temporary compatibility, rather than the logical confusion which could have been expected. Operational doctrine including naval air responsibilities such as direct air support for land units, search and rescue, scouting and reconnaissance, etc., were not touched upon.

b) Hierarchy. The difference of rank between the Commander of Air Force South and COATLANSUR/COMMANDER of the Southern Theatre did not make for an ideal situation which would have allowed for equal treatment. There was a difference, which caused logical demands to be transformed into requests firmly put forth--but from the inevitable distance due to rank.

a) Distance between commands. Although owing to the difficulties which arose COATLANSUR was installed at CRV and later, as operations began, the CEOPECON was formed, in reality the chief of staff of COATLANSUR continued to operate out of Puerto Belgrano, which did not make for fluent relations between the two chiefs of staff (Navy and Air Force). It was not the same case with TOS because of the proximity of the two commands and the interchange of Liaison Officers, with a constant flow of information and consultation between the two. All these organic changes are manifest evidence of serious doctrinal defects, as doctrine was not respected and responsibilities were assigned to Commands in no position to carry them out. All this occurred during the course of the war.

b) Liaison Officers. The Navy had a rear admiral, a Navy captain, three captains, one ensign and two non-commissioned officers. It soon became evident that the work of this liaison group, in which there was no one from the staff, which was most necessary, was really to collect information which was later officially used by its air and diffusion services, in the latter case distorting or using FAA data to its own advantage.

The Army had a lieutenant colonel whose lack of information and data--he did not even belong to the 5th Army Corps--was disconcerting. His information only became comprehensible when it was found to coincide with data from an Air Force major who was the liaison with TOS, which meant that it only reflected the situation as seen by that Command.

2) JOINT OPERATIONS, COORDINATION, FAILURES, OTHER PROBLEMS

3. Joint operations were only carried out with the Navy before real operations began. ADN exercises were carried out with the fleet, of which only one, that with the destroyer SSMA TRINIDAD, was successful, as the rest suffered from confusion arising from false positions or evasive manoeuvres which were not a part of previous training. Furthermore, in exercises with SSMA TRINIDAD, aircraft were detected flying low only seven minutes from the vessel. When consulted, the "liaison officers" said that this was due to electronic failure on the destroyer and with a great profusion of diagrams they "proved" that the ship was "invulnerable" to air attacks. When this was made known to the pilots it produced a kind of psychosis which could only be eradicated when it was found that in actual fact these ships could detect aircraft at an even shorter distance away.

4. As the English were landing at San Carlos, the Liaison Officers said that no one in his right mind would launch an attack at that site which meant that the landing could only be a secondary attack or a diversion. This delayed our reaction until the number of ships involved made the situation self evident, proving their assessment to be wrong.

5. Many times naval air scouts "detected" or "confirmed" the presence of enemy warships which led to missions which found nothing in any such position, not even within the radius in which the ship could feasibly have moved to.

6. Furthermore, when scouting missions of any type were required the aircraft either were not ready for duty or did not carry out the mission at the required time.

7. One habitual trick consisted of promising a mission to clear the way for transport aircraft, which confidently became airborne. When a plane managed to get through, they would send up their transport planes which followed the same route unknowingly "scouted" by our aircraft.

8. Refuelling requests, especially for the Super-Entendards, had to be suspended or postponed for many hours. However, on one occasion, when refuelling was not possible as the KC was out of action, a message was sent saying the operation had been suspended "because the Air Force failed to provide refuelling."

9. When, according to the CAE plan and once the Exocets had run out, the Super Etendards were asked to fly as scouts, the reply was that "they are not available."

10. As a result of all the above, the Air Force was forced to mount its own reconnaissance network with the inadequate means at its disposal, in order to obtain reliable and accurate information.

3) AIR OPERATIONS IN SUPPORT OF OTHER FORCES

11. Owing to the short time the surface forces were in contact, few support operations were carried out. Among them were:

a) An attack on the beachhead at Puerto Argentino. This, because of its effectiveness, was one of the outstanding events of the war.

b) Bombing of troops. This was carried out several times on area targets. Owing to the characteristics (of these attacks) it is difficult to assess the degree of effectiveness achieved. These attacks were carried out at the request of Puerto Argentino.

c) ROF over areas where troops were presumed to be concentrated. Several kinds of targets were spotted (vehicles, a small amount of troops, helicopters, command and communications posts, etc.). As in point b) the results of these attacks are difficult to evaluate; this will probably not be possible until the British themselves make their own assessment.

CONCLUSIONS

12. The action of the three armed forces leads us to the conclusion that there are three forces totally different in their conception and strategy as regards joint action.

I

13. The army structure is built on theory as regards the use of the means at their disposal, regardless of how modern these may be in practice. The Malvinas conflict was manifest evidence of the tactics of static and mass concentration of troops, absolutely devoid of mobility, even within its own lines, delegating all responsibility for what happened outside the army's "fortresses" to the air force's support. The internal political situation of the country to which the army usually dedicated all efforts, had left its operational training in disarray, which led to the following:

1. Low fighting capacity of its officers, who were too prone to special comforts and reticent about facing risks in combat zones.
2. Lack of communication and unity between officer corps and troops which in decisive moments left the latter to their own devices with the logical and foreseeable results that ensued.
3. Lack of training in the Malvinas theatre (2/3 shooting lessons and no land combat training).
4. Absolute deficiency as regards logistic land support which led to exhaustion, a loss of combat-readiness in advanced units owing to malnutrition, a shortage of ammunition at decisive moments, a complete lack of communications, etc.
5. The characteristics of the terrain were not adequately taken advantage of, which meant that important hills were left undefended while others were inadequately and insufficiently manned.
6. A lack of knowledge on the tactical use of the most sophisticated elements (helicopters, missiles, artillery, communications, armoured vehicles, etc.) which led to the loss of these in unnecessary circumstances (helicopters), deficient use of others (artillery and missiles), and no use at all of some that were very important (armoured vehicles).
7. Favourable tactical situations were not made use of due to the absolute lack of tactical operational mobility of officer corps and troops (Bahiagradable).
8. Low combat morale in regular troops.
9. Lack of knowledge of air support, its advantages and limitations, which led to request for support on targets situated 60 to 70 kilometres from the front lines (interdiction) requests that were totally disproportionate to the size of the target; requests for air support on targets which could have been destroyed by a small detachment of the army's artillery; encroachment on air force responsibilities, (interdiction) with the selection of targets outside the needs of the army, etc.

II

14. The navy, for its part, was dedicated to fighting within the internal national political situation and to preserving its resources. Its efforts were minimal in the Malvinas conflict. The only surface unit lost was lost in confusing circumstances, in which the oldest unit of the fleet was risked, without protection, in an adventure which had already been abandoned at the time of its sinking. The only other combat unit lost was the submarine. Santa Fe, which was taken at a port in daylight, in other words in the most unfavourable conditions for the use of a submarine. No provision for its protection had been taken.

15. The subsequent withdrawal of the fleet which moved outside the boundaries imposed by the enemy, skirting the coasts until seeking safety in the ports-- which it did not leave until after the end of the conflict--was an operational move which was widely commented on by the international media. At first this was an intriguing move but it later led to the stupefaction of a people accustomed to (the navy's) portrayal of itself as a defender of national sovereignty.

16. This event was a repetition of another one with similar connotations, in 1978, which sheds doubt on its real intentions or its professional capacity to defend the nation.

17. The stubborn refusal to take part in any joint operation, opting for the non-use of its most sophisticated aircraft and the use of the rest in unimportant operations rather than using the former, even for a single operation, under the operational control of the air force, manifestly points to a lack of vocation for joint action.

18. The use of the media, with farfetched data, the distortion of news, the touching up of news, belittling the achievements of other forces, etc., with the sole objective of obtaining preeminence and/or national subsistence without analyzing the consequences, is another example of (the navy's) lack of vocation for joint efforts.

19. The inaccuracy of the little data provided by its intelligence strengthens doubts about its professional capacity; considering the non-use of its own means to knock out targets which it had discovered itself, one doubts the veracity of its information.

20. All the above becomes especially important in view of the fact that what became the Malvinas conflict was a result of the planning and encouragement of the navy, which had no definite war plan. The navy had neither the capacity nor the will to assume its responsibilities in its own theatre, as its own statements referring to the fact that the navy considered itself overwhelmed by circumstances have shown.

III

21. The air force put its greatest efforts into a type of conflict for which it was in a way not responsible and for which it was not adequately prepared either materially or in training. There was also the fact that the ARA had said it should not intervene because the South Atlantic Command had sufficient means to face any eventuality.

22. The inability of this force to carry out joint action made all its efforts sterile and all the heavy material and human losses produced by its actions were to no avail.

IV

23. The organic structure adopted, by which Malvinas was autonomously controlled, with a complicated organ such as COATLANSUR, is an indication of serious errors of leadership and aptitude for joint action by the Armed Forces. In actual fact, the islands by necessity were defended by the FAS, which also maintained and supplied them.

RESUME OF CONCLUSIONS

- 1) There was no joint planning in the Malvinas conflict nor any will for it despite the efforts of the Air Force.
- 2) The Army is not capable, in its operational tactics, training of personnel or leadership, to engage in warfare.
- 3) The Navy has no vocation for fighting and is unreliable in logistics and joint action and will only face operations which are directly linked to its own interests.
- 4) The Air Force, despite its achievements, is not prepared to operate in all kinds of theatres. It is inadequately equipped and its capacity for deciding the outcome of a surface conflict is nil.
- 5) There is no vocation for joint operations in the Army and Navy. There is, however, in the Air Force, because it is aware of its limitations.

SUGGESTIONS

- 1) The responsibilities of each force should be clearly defined:
 - a) Everything that operates on land is the responsibility of the Army.
 - b) Everything that operates on the surface of the sea or under it, is the responsibility of the Navy.
 - c) Everything that operates in the air, from both surfaces, should be the responsibility of the Air Force, which has been amply proven by the Malvinas Conflict and has not been not disputed by the other forces.

2) In view of the above, intensive and permanent joint training on planning and [word indistinct] should be established.

3) A war college for all three forces (should be established).

4) Joint planning at all levels with an integrated Command, Control and Training organ for commanders of a joint Theatre of Operations.

24. Unless the above is achieved, the Armed Forces should be unified, in a single corps, by means of a plan to be carried out in stages. Brigadier Ernesto Horacio Crespo commander, Air Force South.

/8309

CSO: 3300/61

LOWERED IMPORTS RAISING BALANCE OF PAYMENTS FOR 1985

Santiago EL MERCURIO in Spanish 5 Nov 85 p A-3

[Text] The Central Bank recently announced that there was a surplus of \$542 million in the trade balance in the first 9 months of the year. This favorable balance corresponds to the difference between exports during the period, \$2,739,000,000, and imports, \$2,197,000,000.

This surplus represents a considerable improvement compared to the same period last year when it was only \$296 million. Nevertheless, it is lower than the initial projection by economic authorities of a surplus of more than \$900 million in 1985.

As to availability of foreign resources, the surplus in the trade balance can be added to foreign currency from loans or similar operations. Therefore, it has great significance for the rate of growth of the national product. As is known, if the domestic production of goods and services is to be increased, it is good to have the necessary resources, including foreign resources. Otherwise, the attempted reactivation would soon have to be set aside to avoid a foreign currency crisis.

The Central Bank points out that the increase in the trade surplus is due basically to the 13.5-percent drop in imports. An analysis of the figures presented also shows a change in make-up. Capital goods increased 4.8 percent while consumer goods and intermediate goods decreased 34.1 percent and 9.4 percent, respectively.

Exports, meanwhile, were about \$100 million lower than those in the same period in 1984. The bank's report indicates that the reason for this drop is the deterioration of international prices: 16.2 percent for exports other than copper and 1.8 percent for copper.

The need to have increasing surpluses in the trade balance is based on the pronounced drop in loans from international banks beginning in 1982. Since then, it has been necessary to stress measures that encourage a productive structure oriented basically toward the generation of goods that can be exported or effectively replace imports. In order to be successful, this strategy--common to all developing countries--has to rely on the developed world's collaboration by purchasing more exports. Unfortunately, the growth

of the developed countries has not gone as planned and has even been accompanied by unfavorable trade balances. This has meant major cuts in trade terms and, therefore, a discouraging scenario for exports.

The internal adjustment that has been made controlled public expenditures and the rate of inflation, both measures necessary to increase savings and investment and put the country in a better position to grow and pay the foreign debt. As the minister of finance has stated repeatedly, the coming years must be years of austerity. This can be improved only if the industrialized countries experience larger increases in their growth rates and, therefore, improve trade terms.

7717

CSO: 3348/172

CENTRAL BANK REPORTS ON TRADE BALANCE GROWTH

Santiago EL MERCURIO in Spanish 30 Oct 85 pp A-1, A-12

[Text] The trade balance recorded a surplus of \$542.3 million between January and September 1985, 82.7 percent higher than the favorable balance obtained in the first 9 months of 1984--\$296.8 million.

This was announced in a report presented by Central Bank's Management of Studies.

The surplus corresponds to the difference between exports in the period which totaled \$2,739,700,000 and imports which reached a total of \$2,197,400,000 (both FOB).

The bank attributes the increase in the trade surplus basically to a 13.5 percent drop in imports and a policy to encourage exports which has made it possible to keep the level of exports relatively constant despite the drop in international prices for our main exports.

It indicated that the figures as of August show that the price for copper exports this year has averaged 1.8 percent less than in the same period in 1984. At the same time, the prices for our main exports other than copper have gone down 16.2 percent while the volume exported increased 12.8 percent.

It stated that if total exports as of September are compared with those made in the same period last year--\$2,836,900,000--it can be seen that mining exports decreased 3.5 percent and industrial exports went down 9.7 percent. Meanwhile, agricultural, livestock and sea exports increased 11.9 percent.

A similar analysis of imports shows that imports of consumer goods went down 34.1 percent and those of intermediate goods 9.4 percent. Imports of capital goods increased 4.8 percent.

The report shows that the price of copper went down again in real terms in the month of September, recording an average of 3.3 percent lower than the previous month, a decrease that has a direct effect on the value of our exports.

Itemized Exports

Total mining exports between January and September of this year reached \$1,439,300,000 compared to exports of \$1,491,200,000 recorded in the same period in 1984.

Of that amount, copper exports between January and September 1985 totaled \$1,197,800,000. In the same period in 1984, these exports totaled \$1,220,100,000.

Exports of agricultural, livestock and sea products rose to \$314.4 million. Between January and September 1984, they totaled \$284.9 million.

Industrial exports reached \$859.1 million compared to \$951.3 million exported in the first 9 months of last year.

Itemized Imports

Accumulated imports of consumer goods as of September 1985 (CIF value) reached \$519.7 million of which \$191.7 million corresponded to foods.

In the same period in 1984, imports of consumer goods reached \$788.3 million of which \$392.7 million corresponded to foods.

Imports of intermediate goods reached \$1,442,000,000 compared to \$1,591,400,000 in the same period in 1984. Imports of capital goods totaled \$469.4 million compared to \$447.8 million last year.

7717

CSO: 3348/152

PS-BRIONES REJECTS DIALOGUE WITH GOVERNMENT

PY031555 Madrid EFE in Spanish 0831 GMT 3 Dec 85

[By Juan Jorge Faundes]

[Text] Santiago, Chile, 3 Dec (EFE)--The plenum of the Chilean Socialist Party [PS] (Carlos Briones faction) has agreed to reject any type of dialogue on achieving the transition to democracy with Chilean Chief of State General Augusto Pinochet.

The agreement was approved unanimously by the PS Central Committee, which is headed by Carlos Briones, who was interior minister in Salvador Allende's government, during a plenary meeting that was held last weekend in Santiago.

The plenum of the PS-Briones also rejected the policy of exclusion that is being promoted by the right and the Christian Democrats.

Moreover, it adopted a critical stance regarding the militaristic policy of the Communist Party, but at the same time it favors a dialogue and a democratic political pact with that party.

The agreement that was approved by the plenum was submitted by leaders Ricardo Lagos and Ricardo Nunez and it outvoted, by 43 votes against 23, another agreement submitted by leaders Hernar Vodanovic and Akin Soto.

According to the evening newspaper LA SEGUNDA DE LA HORA, one of the outcomes of the agreement is that the PS-Briones will not participate tomorrow in the meeting that has been scheduled by the board of the National Accord for the Transition to Full Democracy.

The parties of the Chilean right, the multiparty Democratic Alliance (AD) and the Christian left (Christian Marxists) are members of that board.

Among the signatories of the National Accord, which was signed in August 1985, there are sectors that support a dialogue with Pinochet, others that would not reject a priori that possibility, and there are those, such as the PS-Briones, that have absolutely rejected the possibility.

The PS-Briones is a member of the AD, together with the rightist Republican Party and the centrist Christian Democrats and Social Democrats.

The PS-Briones warned in the agreement that was adopted last weekend that as of now its membership in the multiparty AD is conditional on the dropping of attitudes of exclusion.

These attitudes of exclusion have currently stopped the Popular Democratic Movement (MDP)--which is made up of the Communist Party, Socialist Party-Almeyda and the Movement of the Revolutionary Left--from becoming a member of a joint pact against the regime and for democracy.

The PS-Briones has now agreed to a continuous and systematic dialogue with the Communist Party to coordinate the efforts to conclude a democratic political pact.

The PS-Briones maintains that the only way for negotiations is to increasingly address the Armed Forces.

/6091

CSO: 3348/243

SEGUEL RECEIVES SPANISH LABOR UNION LEADERS

PY030055 Madrid EFE in Spanish 1546 GMT 2 Dec 85

[Text] Santiago, 2 Dec (EFE)--Rodolfo Seguel, who today reassumed his post as president of the National Workers Command [CNT] of Chile, met with two union leaders of the Spanish General Union of Workers [UGT] on resuming his activities.

UGT Secretary General Nicolas Redondo and Manuel Simon, responsible for UGT international affairs, arrived in Santiago on Sunday, 1 December, for a 3-day visit.

Present in today's meeting were members of the CNT board, which includes the main union organizations opposed to the Chilean military regime.

Seguel reassumed the CNT presidency 5 days after having been freed on bail, after more than 2 months of imprisonment with other Chilean union leaders.

Shortly after their arrival in Santiago, Redondo and Simon went to the Santiago prison to visit the three Chilean union leaders being held there.

The Spanish union leaders talked in that prison with Manuel Bustos, president of the National Coordinating Board; Jose Ruiz di Giorgio, president of the Petroleum Workers Confederation; and Mario Araneda, member of the Metropolitan Dwellers Coordinating Board.

The three Chilean union leaders have been in jail for more than 2 months because of a government accusation holding them responsible, along with some 100 persons who were later set free, for acts of violence during the national protest day that paralyzed the country on 4 September 1985.

During the meeting, which began with a hearty embrace, the UGT leaders expressed their affection and solidarity with the detained union leaders, and transmitted to them the recent resolutions adopted by the International Conference of Free Trade Union Organizations [ICFTUO].

The ICFTUO Human Rights and Liberties Committee, which met between 13 and 15 November in Brussels studied the situation of the Chilean union and workers leaders, and agreed to adopt a number of actions to exert pressure

on international governments and organizations to obtain the release of the Chilean union leaders before Christmas.

Redondo told EFE on Sunday that the objective of his visit to Chile was to establish contacts with democratic Chilean union leaders, many of whom are old friends of the UGT, to extend the UGT's affection and solidarity.

Simon, however, stated that he has been prohibited from entering Chile since 1979, but that thanks to the action of the Spanish Government with Chilean authorities, he could make this visit.

/6091

CSO: 3348/243

MILITARY INVOLVEMENT IN RIGHTS VIOLATIONS ISOLATES PINOCHET

Bogota EL TIEMPO in Spanish 22 Oct 85 p 11-A

[Excerpt] Santiago, 21 Oct (Reuter)--Embarrassing revelations about military participation in murder and torture during the last 12 years add to the political problems that President Augusto Pinochet faces.

Diplomats and politicians agree that his political isolation was accentuated in August when many exiles joined the opposition parties in signing a national agreement for transition to complete democracy.

Now they say that public confessions by members of the security services and aggressive judicial investigation of cases involving human rights violations threaten to undermine the surviving bastion of his support, the armed forces themselves.

Some of the cases go back to the bloody sequel to the 1973 coup d'etat that catapulted Pinochet to power. Others go back to 1976 when hundreds of leftists "disappeared." The rest are based on the most recent abuses.

While comparisons with the current trials of former military junta members in Argentina are exaggerated, Pinochet's implicit claims that he alone can protect the armed forces from reprisals and recriminations seem emptier, according to the diplomats.

Pinochet who will be 70 years old next month made it clear in a message on Army Day that he disagrees with what is happening.

He said: "Voices are heard today using dangerous revanchist criteria to try to bring the members of this army to trial. The army is concerned about those criteria."

Federico Willoughby, a rightist politician and journalist who was the first spokesman for the junta after the coup, told Reuter that the armed forces remain unique in Latin America due to their loyalty and cohesion. However, he sounded an alarmist note.

He stated: "There is a myth in the armed forces that politicians always use them for disagreeable tasks and then discard them. There is resentment against politicians."

Willoughby said: "However, during these 12 years, military politicians have sprung up. They turn to the military professionals to do the same work that the politicians used to do. This could also produce resentment."

The current explosion of interest in cases involving human rights violations began with Judge Jose Canovas' investigation of the kidnapping and murder of three communists last March.

Canovas accused the intelligence service of the Carabineros (paramilitary police), Dicomcar, of the crimes, precipitating the removal of the police chief, Cesar Mendoza, and the restructuring of the force.

Maximo Pacheco, vice president of the Chilean Human Rights Commission, said: "Canovas was the one who interpreted a feeling that is becoming more widespread in the judicial branch. The judges are more demanding and the security services know that they have to comply more with the courts."

This has been reflected in dramatic advances in a number of cases including the double kidnapping of the daughter of a prominent opposition politician and the "disappearance" of 10 members of the Communist Party in 1976.

One diplomat commented: "Each revelation leads to another. That was the problem in taking the lid off the Canovas case. It becomes a habit. No one asked questions before but when one investigation begins, everything starts to unravel."

A recent revelation by a former military governor of the northern city of Calama led to the criminal trial of a retired army general sent north by Pinochet in the months after the coup.

Gen Sergio Arellano is accused of summarily executing 26 leftists in the desert outside the city.

A recent public confession by a former member of the security services was also embarrassing for the military.

7717

CSO: 3348/152

OPPOSITION LEADERS REACT TO VALDES' SPEECH

PY032113 Santiago EL MERCURIO in Spanish 22 Nov 85 p C2

[Text] The speech of Gabriel Valdes, leader of the Democratic Alliance [AD], has provoked different reactions from political sectors which did not join the demonstration organized by the AD in Santiago's O'Higgins Park.

Some of the political leaders who were asked about Valdes' speech said they would give their opinion soon, while others excused themselves from expressing their opinion because they had not heard the speech.

Fernando Maturana, leader of the National Unity Movement [MUN], said: "If the purpose of the speech was to seek understanding among Chileans or a solution to the serious problems affecting the country by establishing a dialogue with the authorities, then the demonstrations of passion and resentment, and the speaker's boldness on the occasion are regrettable."

Fernando Ochagavia, leader of the National Party, said: "The fact that several Marxist groups participated in the demonstration, along with democratic sectors has confused public opinion."

Regarding an understanding between civilians and the Armed Forces, as proposed by Valdes who said that not doing so would be foolish, Ochagavia said: "I believe Valdes' proposal is very positive," because "this integration should be carried out based on a dialogue with the Armed Forces, which is still an unexhausted resource."

Ochagavia also said that, "in fact, democracy demands loyal behavior of loyalty between the rulers and the opposition is very important." [sentence as published] He said, however, that "minority sectors should have a place in democracy," which obviously should have an ethical basis. Regarding the proposal for peace in the country during Pope John Paul II's visit, Ochagavia said that his visit "will be decisive in obtaining positive results from the call made by the church for reconciliation and understanding. I have great hopes that the pope's presence will be a positive factor to achieve this."

Jaime Guzman, leader of the Independent Democratic Union [UDI], said his party will study carefully Valdes' statement, and report its opinion in the next few days." [quotation marks as published]

Asked about his personal opinion, Guzman said: "I do not wish to express my personal opinion before studying the issue within the party."

Ignacio Astete, another UDI leader, gave a similar reply when asked about this matter.

Tomas Puig, a member of the Political Commission of the National Party, said: "The National Party is against political persecution and exile; it respects the ideas of other parties which should have the natural right to meet when they wish."

He added: "We members of the National Party, however, did not participate in the demonstration at O'Higgins Park because we believe that we must first exhaust the phase of dialogue, which has just started. Achieving the National Accord for the Transition to Full Democracy has cost the democratic politicians much time and sacrifice. The National Accord envisages an initial respectful dialogue with the political and military authorities. Doing otherwise would be senseless."

/6091

CSO: 3348/243

ALLAMAND: ACCORD CAN ACCOMMODATE GOVERNMENT, ALL PARTIES

Santiago EL MERCURIO in Spanish 27 Oct 85 p A-12

[Text] "All the interpretations that the different political participants in the country--the signatories as well as the government--have given to the National Agreement can be explained, discussed and improved on at a conference table."

The president of the National Union, attorney Andres Allamand, made this statement yesterday, referring to evaluations of the document presented by the minister secretary general of government, Francisco Javier Cuadra.

The political leader revealed: "Minister Cuadra's argument that the agreement admits several interpretations is redundant and meaningless. No one is unaware of the fact that there are somewhat different interpretations among the signatories. This is understandable among people with different political and ideological positions who have made a serious effort to emphasize their agreements, not continue insisting fruitlessly on their disagreements."

He added: "It cannot be forgotten that many of those differences can be settled by referring to the expressed text of the National Agreement. There is a willingness among the signatories to resolve them."

He added: "In any case, it is illogical for the government to act so sternly and point out the differences in perception that might exist among the signatories without noting that the same phenomenon can be observed in the various statements that the government has made about the agreement."

Allamand revealed that, consequently, "these different interpretations as well as those that Minister Cuadra points out among the signatories of the agreement could be completely reconciled at a conference table where these misunderstandings would be overcome. The real meaning of the agreement as its coordinator, Sergio Molina, stated is precisely to seek a formula of national understanding that avoids confrontation. The recent public demonstrations of adherence to and endorsement of the document by distinguished people on the national scene should be understood within this context."

Finally, as to the prospects of the agreement which he called a "first step," he stated: "It cannot be forgotten that the solidity of the democracy does not rest on an attempt toward uniformity and absolute agreement--which is impossible--but, on the contrary, on the possibility that there are different alternatives and political projects within a general, commonly accepted framework."

INFLUENCES EXERTED ON COPPER CONTRACTS REVEALED TO NATION

Santiago ANALISIS in Spanish 22 Oct 85 pp 12-13

[Article by Maria Jose Luque and Fernando Paulsen]

[Text] A report was published at the beginning of this year in the prestigious specialized magazine AMM [AMERICAN METAL MARKET]. It referred to a sales contract for copper cathodes signed by CODELCO [Copper Corporation] Chile and ENAMI [National Mining Enterprise], sellers, and Westinghouse Electric Corp., the buyer. There are basically two reasons this news has not been reported in the Chilean media. The AMM report came during the state of siege when the national press was strictly censored or simply suspended. Also, according to the AMM and what ANALISIS could learn, the peculiarities of this contract seem to indicate that the government would not be pleased with publicity about this transaction.

Basically, AMM indicated the following: CODELCO and ENAMI had planned to cut their copper sales to Westinghouse in half this year. (CODELCO planned to sell it 500 instead of 1,000 metric tons per month and ENAMI would cut back from 500 to 250 tons.) However, the contract finally signed with CODELCO and ENAMI, according to AMM, meant that Westinghouse would receive 1,500 metric tons per month from CODELCO and 750 tons from ENAMI.

What factors influenced CODELCO and ENAMI to change these planned reductions in sales to this U.S. company? According to AMM, intervention by Augusto Pinochet, Jr, whom the publication ties to a U.S. metal marketing enterprise called URC [United Resources Corporation]. Its president is a well-known member of the international jet set from Chile, Mao Rojas. He made news a few months ago when he donated all the rights to his film starring his wife, Pamela Sue Martin, to Mrs Lucia Hiriart de Pinochet.

In a subsequent report in the same publication, Mao Rojas confirmed that his company helped Westinghouse obtain this contract. Nevertheless, Rojas denied intervention by the president's son in the operation, adding that URC "had no idea that copper sales to Westinghouse were going to be cut."

Contract's Route

The investigation by ANALISIS reached almost the same conclusion as the AMM. During the last quarter of 1984, Mao Rojas's enterprise, URC, began to shake up the U.S. copper market by offering copper to CODELCO's regular buyers. According to well-informed sources, a person who identified himself as Ray Benton and said he represented URC contacted South Wire of Atlanta and General Electric Co., among others. Benton told them he represented such major firms as Atlantic Richfield Co. and Westinghouse. He offered 50,000 additional tons from CODELCO. Benton even left a telephone number in Phoenix, Arizona (602-955-6217), if there was interest in continuing the contact.

Another national figure who appears to be tied to URC is Patricio Madariaga, brother of the former minister of justice and former Chilean consul in Los Angeles, United States. Madariaga sent a Telex from California to CODELCO recommending URC as a very serious enterprise just when the contract with Westinghouse suggested by URC was beginning to be negotiated with the authorities of the Chilean corporation.

Reports obtained in the United States by ANALISIS indicated that, in November 1984, URC agreed with executives from the Westinghouse Abingdon Plant to supply a large quantity of Chilean copper. The Westinghouse executives involved in these first talks were John McGill, who was responsible for supplies and sales at Westinghouse, and Jerry Metzger. When the AMM asked him about the negotiation, McGill declined comment.

ANALISIS sources indicated that Augusto Pinochet Hiriart made a special trip to Chile to finalize this sale. He and the URC representative in Chile, Jaime Garces, met with ENAMI executive Luis Valencia and CODELCO executives Pedro Corona and Alejandro Pino. At that time, the national executives indicated that this transaction could not be carried out since CODELCO was fully satisfied with Cerro Sales and ENAMI worked with its representative in New York, Luis Soto Mackenney, the brother of Gen Roberto Soto, rector-delegate of the University of Chile. They also told Garces and Pinochet that there was a bad feeling about Westinghouse since a few years ago the U.S. company failed to fulfill a contract after an abrupt change in market conditions.

According to our sources, the URC offer consisted in asking for up to 120,000 metric tons of cathodes from CODELCO and ENAMI for the Westinghouse wire plant. The commission that the U.S. company offered CODELCO and ENAMI was \$11 per ton plus 50 percent of the profits from the sale of the wire.

ANALISIS learned that after the executives of ENAMI and CODELCO refused, the URC executives went to the president, as the AMM indicated. The chief of state met at La Moneda with Gen Patricio Torres, executive vice president of CODELCO, and Pedro Corona and Patricio Contesse, top officials of CODELCO. At that meeting, the president asked them to sign the contract suggested by URC. The Chilean executives again refused and offered their resignations to the president.

We do not know what type of negotiations followed this meeting. What is known is that CODELCO and ENAMI finally signed a contract with Westinghouse for a

large quantity: CODELCO sold it 12,000 additional tons of cathodes and ENAMI 6,000 more. One of the major problems that the sale to Westinghouse presented to the Chilean executives was that this multinational company was reselling the copper, speculating on the market and thus becoming a direct competitor. According to what ANALISIS learned, Westinghouse resold part of the 12,000 additional tons bought from CODELCO to the Tenant firm and the 6,000 tons from ENAMI to the Transworld enterprise, both in the United States.

Disturbing Future

Several questions arise about this transaction. In the first place, ANALISIS could not determine who signed the contract with Westinghouse. It was rumored that none of the main Chilean executives would sign it, but this could not be verified despite many calls to the top executives at CODELCO and ENAMI.

Another unanswered question is whether the national copper enterprises plan to continue to work with URC, especially now that CODELCO canceled its contract with Cerro Sales Corp. It would also be very interesting to find out what commission was finally paid to CODELCO and ENAMI. This information is especially interesting after the resale by Westinghouse. It is also very important for purchases of war materiel by the Chilean FFAA [Armed Forces]. According to a secret national law, a considerable percentage of arms purchases by Chile is financed with copper sales. In other words, a bad deal by CODELCO could affect the FFAA's ability to purchase armaments. Without question, this should worry a country subjected to an official arms embargo and under a military dictatorship that perceives war materiel as its guarantee to stay in power.

In August 1985, CODELCO canceled its contract with Cerro Sales Corporation. Sources close to CODELCO told ANALISIS that there is no clear explanation for this since Cerro Sales was basic in order to increase CODELCO's sales in the United States and also contributed substantially to planning the Chilean strategy that effectively answered the anti-Chilean protectionist demands of the U.S. copper companies. To replace Cerro Sales--which is owned by the Prisker group, one of the two richest Jewish families in the United States--CODELCO established its own delegation in New York under Gonzalo Cuadra, brother of the minister secretary general of government and son of the treasurer of CODELCO, Francisco Cuadra.

As this issue went to press, sources tied to CODELCO told ANALISIS that URC will probably continue operating with the Chilean copper enterprises if Mao Rojas' latest initiative succeeds: to install an enterprise in Chile to buy the copper sheets here, transform them into copper wire and export them. The question now is at what price URC expects CODELCO and ENAMI to sell it the cathodes. With the influence that Mao Rojas' enterprise has demonstrated, it would not be unusual if the price of cathodes dropped rapidly.

7717

CSO: 3348/152

OPPOSITION TICKET WINS UNIVERSITY ELECTIONS

PY031738 Santiago EL MERCURIO in Spanish 22 Nov 85 p C6

[Text] The joint Christian Democratic Party [PDC] and Popular Democratic Movement [MDP] ticket has gained an absolute majority in the direct elections for the Executive Board of the Students Federation of Santiago de Chile University [FEUSACH].

According to reports early this morning, the new FEUSACH president is the Christian Democratic leader Andres Rengifo, 23, a history and geography student.

The results released last night were: 175 votes (2 percent) for the Humanist Party; 33 votes (0.04 percent) for the Trotskyite list; 1,161 (20.4 percent) for the University Accord (center right); 415 (5 percent) for the MDP sector made up by the Miguel Enriquez Rebel Youth and the Socialist "Commanders"; and 5,436 (66.6 percent) for the No 5 list of the PDC-MDP coalition.

The winning list was an open, personal list. The greatest number of votes was obtained by Andres Rengifo (PDC), who received 2,772 votes. Cristian Berrios (MDP) received 2,495 votes, and will be the vice president of the FEUSACH, while student Patricio Cannobio will be secretary general.

It was reported that 8,159 students voted, which represents 70 percent of the total of students with voting rights (11,706).

To cheers of members of his party, Andres Rengifo said last night: "The victory fills us with joy. We must first call upon the authorities of the corporation, who must realize that if we have more than 8,000 students supporting our federation, it is necessary for the students' demands to be heard. Recognition is indispensable for our action to be effective."

/6091

CSO: 3348/243

CHILE

CONCEPCION UNIVERSITY CONFLICT NEARS SOLUTION

PY291920 Santiago Domestic Service in Spanish 2200 GMT 28 Nov 85

[Excerpt] The withdrawal of the police forces that were inside Concepcion University is the first agreement in overcoming the 22-day paralysis in this university. This was agreed to after a meeting between the Association of Teachers and the university rector, Guillermo (Klerikus).

The students still have to hand in their reply to the last proposal made by the Concepcion University rectorate. The Teachers Association also proposed to (Klerikus) that the punishments against some students for offenses they had committed before the conflict be postponed or at least changed for lesser sanctions, according to current regulations. Teachers Association spokesman Pedro Vera said that the teachers believe that the conflict is virtually overcome, and the only thing that remains to be solved is the students' response.

The situation inside the university campus was calm despite the fact that the students were holding several meetings to discuss the rectorate's proposals.

The president of the Concepcion University Students Federation, Sergio (Micco), said that he personally believes that the last proposal of the rectorate should be approved.

Report from Nacional de Chile in Concepcion:

[Begin relay] [Unidentified reporter] Report from Concepcion for Onda Noticiosa of Nacional de Chile. The chief of Carabineros Inspection Zone Two of the South, General Alejandro (Cabeza Seis), this afternoon confirmed that, at the petition of the regional intendant, all police forces that were occupying the university have been withdrawn in order to contribute to the efforts to normalize university life.

The conflict, which paralyzed the various faculties of this university, is nearly solved. Rector Guillermo (Klerikus) personally presided over the forming of two commissions. One of them will study the requests of the students, who demand a building and funds for the Student Federation, presided over by Sergio (Micco). The second commission will study the ethic norms of behavior for university students. [end relay]

/6091

CSO: 3348/243

ADVISORY COMMISSION COMPLETES DRAFT OF ELECTORAL LAW

Santiago EL MERCURIO in Spanish 31 Oct 85 pp A-1, A-10

[Text] The Advisory Commission for the Study of Complementary Laws to the Constitution headed by the former minister of interior, Sergio Fernandez, finished work on the Public Electoral System bill yesterday. It is considered a basic law among the group of political laws established by the 1980 Constitution.

The advisory team President Pinochet entrusted to study the legal political groups met for more than 2 hours in the Senate offices and approved a document with 290 permanent articles.

The bill has a preliminary chapter and eight parts. These correspond to: the times when preparatory acts for plebiscites and elections will be done; the acts themselves; vote counts; the electoral districts and their representation in the chambers; general provisions; public order and sanctions; and electoral service.

The commission will meet again in 15 days to discuss the observations of each one of its members and begin the report which must be sent with the bill at the end of November to the president and the minister of interior.

Fernandez told journalists that the bill "is a set of norms that regulate all matters related to the electoral system itself as well as the mechanism of electoral registration."

He commented that there is initial agreement about the voting system and the number of electoral districts but those subjects will be made public once there is final agreement and they have been submitted to the chief of state.

He indicated that the bill which will be a constitutional organic law since it is provided for in the Constitution is lengthy. It contains "definitions that are very important like, for example, the registration system and the method for choosing the number of districts and for choosing the districts themselves."

He added: "These are very complex topics of great political interest, great national interest."

Asked about the specific contribution of this bill--which the chief of state gave priority to--compared to earlier laws on this subject, Sergio Fernandez said: "It simplifies, modernizes and expedites procedures and has a different focus since it establishes electoral systems that agree more with the current reality of the country."

He stated: "It is definitely a great advance compared to earlier legislation, covering all the technological and technical aspects available now."

He also said that passage of this bill is an attempt to prevent accusations of electoral corruption denounced in the past.

Passage of this bill is covered in permanent Article 18 of the Political Constitution. That provision states: "There will be a public electoral system. A constitutional organic law will determine its organization and functioning. It will regulate the elections and plebiscites as provided for by this Constitution and will always guarantee complete equality between independents and the members of political parties, both in the presentation of candidates as well as in participation in these processes."

7717

CSO: 3348/172

BRIEFS

COURT INDICTS MENSAJE DIRECTOR--The First Appellate Court of Santiago has indicted Jesuit Priest Renato Hevia, the director of MENSAJE, on charges of committing libel against the president. Judge Marcos Livedinsky will have to notify the priest of the court's decision. Last year, the Interior Ministry accused Hevia of libel against the president. [Text] [Santiago Domestic Service in Spanish 1630 GMT 3 Dec 85 PY] /6091

CONSUL TO BARCELONA--General Enrique Valdez Puga, retired, has been designated Chilean consul to Barcelona, Spain. This report was released today by Foreign Minister Jaime del Valle. Valdez Puga had been chief of the army staff until recently. [Summary] [Santiago Radio Chilena in Spanish 1600 GMT 25 Nov 85 PY] /6091

FRUIT FLY AGREEMENT WITH PERU--An agreement has been signed at the Agriculture Ministry to eradicate the fruit fly or Mediterranean fly in the Chilean-Peruvian border area. In attendance were Agriculture Minister Jorge Prado and Peruvian Ambassador to Chile Jose Luis Bustamante. [Summary] [Santiago Domestic Service in Spanish 1000 GMT 23 Nov 85 PY] /6091

CANADIAN, URUGUAYAN AMBASSADORS--Michel Dgoumois and Alfredo Bianchi Palazzo, the new Canadian and Uruguayan ambassadors to Chile respectively, on 14 November presented their credentials to President General Augusto Pinochet. [Summary] [Santiago EL MERCURIO in Spanish 15 Nov 85 p C3 PY] /6091

SANTIAGO-MONTEVIDEO FLIGHT--The manager of the Uruguayan National Airlines [PLUNA] has disclosed in Santiago that this airline will start a commercial flight between Santiago and Montevideo as of January 1986. [Summary] [Santiago Domestic Service in Spanish 1630 GMT 29 Nov 85 PY] /6091

SCHOOL POLITICAL ACTIVITIES BANNED--Students' associations of high schools and vocational institutes will no longer be able to engage in political activities or participate in the management of academic affairs of their institutions. Furthermore, unless their school officially belongs to a given religious organization, student associations will not involve themselves in religious activities. These provisions are part of Decree No 736, which sets forth the rules and regulations for student associations in high schools and technical and vocational institutes and was published today in

the OFFICIAL GAZETTE. The decree also provides that each student be allowed to decide for himself whether to join the association or not, and those who decide against joining cannot be compelled to do so. Furthermore, there can be only one student association per school. The basic organization of student association will include a council of class representatives and executive board. The student association will receive direct advice for its organization and affairs from two teachers of the school. The student associations will be organized and operated in keeping with a set of regulations based on the provisions set forth in this decree taking into account the specific characteristics and the circumstances prevailing at each institution. [Text] [Santiago Domestic Service in Spanish 2200 GMT 27 Nov 85 PY] /6091

WINE INDUSTRY PROBLEMS ADDRESSED--Minister of Agriculture Jorge Prado, businessmen from the grape-growing sector and agricultural leaders agreed to hold a round of meetings with the different sectors involved in order to analyze possible solutions to the crisis that affects the country's grape growers. This should lead to an integral policy for the sector. This information came from sources within the sector after a meeting yesterday in the minister's office. It was attended by Manuel Valdes, Osvaldo Astaburuaga, Alberto del Pedregal, Roberto Echeverria, Guillermo Donoso, Renato Zenteno, and Emilio Merino, among others. Some of those consulted pointed out that Minister Prado is aware that the grape-growing sector needs special treatment. In addition to agreeing on a round of meetings to analyze the situation, Prado resolved to reactivate the National Wine Commission. This organization will focus on discussion of the global policy for the sector while short-term measures will be analyzed by the Ministry of Agriculture and the Ministry of Finance. The meeting was called "very positive." According to the authorities, "the government is interested in the subsistence of the 40,000 producers who work in this sector." Those consulted pointed out that the idea is to adopt short-term measures before the next grape harvest begins. [Text] [Santiago EL MERCURIO in Spanish 6 Nov 85 p B-1] 7717

REFINERIES SHOW SUBSTANTIAL LOSSES--Petrox and the Concon Refinery, branches of ENAP [National Petroleum Enterprise], had combined losses of 5,838,000,000 pesos in the first 9 months of this year. This contrasts with the profits of 2,121,000,000 calculated in the same period last year. The analyses that the two enterprises sent to the Securities Superintendency indicate that one of the reasons for the losses was the fact that these enterprises could not pass on to the public the price increases for ENAP's oil supply resulting from the devaluations recorded during that period. These had to be absorbed by the enterprises. This considerably increased the commitments to ENAP, the supplier of crude oils, which had been agreed on in dollars. They followed the changes in the rate of exchange while the shares of the enterprises were readjusted based on the IPC [Consumer Price Index]. [Excerpt] [Santiago EL MERCURIO in Spanish 6 Nov 85 p B-1] 7717

CSO: 3348/172

BRIEFS

PUN DENIED ELECTION REGISTRATION--The National Union Party, PUN, will not participate in the upcoming Costa Rican presidential election in accordance with the resolution that the magistrates of the Supreme Electoral Tribunal [TSE] decided yesterday to adopt. The magistrates ratified the ruling issued by the Civil Registry, by which the registration of the presidential, vice presidential, deputy, and magistrate candidates of that political group were rejected. The PUN is led by Deputy Oscar Aguilar Bulgarelli. The Civil Registry came to the decision after discussing the appeal introduced by PUN's former president, Olga Marta Ulate. The TSE, for its part, ratified the Civil Registry's ruling based on that appeal and the actions to renew the PUN's registration and membership lists, TSE Secretary Rodolfo Ledezma explained. The resolution is currently being drafted based on the considerations outlined in the ruling. It will be turned over to PUN representatives this afternoon to formally conclude the legal action, Ledezma indicated. [Text] [San Jose LA REPUBLICA in Spanish 6 Nov 85 p 2] /8309

CSO: 3248/86

PARTY ASSEMBLIES DISCUSS INEFFICIENCY, TRAINING PROBLEMS

Holguin Meeting

Havana BOHEMIA in Spanish No. 39 27 Sep 85 pp 47-48

[Article by Miguel A. Masjuan]

[Excerpts] As the ideas of Bolivar and Marti are being born again in the hearts of Third Worlders in the Americas, the Cuban rearguard through the voice of its Party continues the organizational development to prepare for the 3rd Party Congress.

Holguin held its assembly to report on results, and there too the highly critical and self-analytical spirit of party members was evident, reflected in speeches such as these.

Jesus Tauler of Gibara discussed the topic of the systematic monitoring of agreements on yields and economic efficiency, and on raising quality standards and clarifying the information provided to the workers concerning costs, productivity, average wages and other indicators. This will allow for a more active participation by the working class in the monitoring of productive management.

Delegate Lazaro Gonzalez of Moa stated that experience has revealed the persistence of inefficiency in economic controls, in both accounting and statistics, and especially in the area of quality. These defects stem from the lack of discipline and the shortage of trained technical cadres and adequate equipment for the task. He also expressed the need to incorporate the assets of high yields or economic efficiency into the investing budget units, considering that these entities are major consumers of material and financial resources in the province.

Ivan Arteche, director of the Mechanical Nickel Complex, discussed various problems that are hindering the maturity of the key investments of the mining and metallurgical program, such as long construction periods, adjustments of projects, changes in equipment, and other factors.

Arturo Sanchez of Urbano Noris criticized the low utilization of agricultural machinery for production purposes. This usage level is just 28 percent, while

54 percent of the machinery is used for transportation and 18 percent for services. "That's no way to come out ahead."

Delegate Idelisa Santos of Holguin pointed out that the mortality rate of livestock is affected by insufficient feed supplies, although subjective factors such as low quality, ignorance of technical standards for livestock, and poor management of the herd also have an influence.

Jorge Risquet, a member of the Politburo, mentioned the cadre policy in his closing remarks. He stressed the cadres' task of selection, training and promotion, with regard to the cadres of the Party as well as the Union of Young Communists, the mass organizations and the state. This is an important, decisive, ongoing task that has strategic implications, he noted. He also urged that criticism and self-analysis be stepped up throughout the Party, "as a basis and point of departure to implement criticism through all channels, from oral means (speaking at meetings or assemblies) to the mass media, against anything that is done poorly."

In his speech, he also stated: "At the same time that we deal with all the tasks of production to boost production, cut costs, improve quality and increase labor productivity--in other words, to achieve economic efficiency---we cannot let up for a single minute in our growing effort for defense.

"Production and defense continue to be the essence of our work. And for both to progress, our Party's actions and ideological work are decisive."

The Communists of Holguin confirmed Miguel Cano Blanco as their first secretary. Jose Ramirez Cruz, an alternate member of the Politburo, was also confirmed as president.

Villa Clara, Matanzas Meetings

Havana BOHEMIA No. 38 20 Sep 85 p 59

[Text] Villa Clara held its provincial Party assembly, which was chaired by Jose R. Machado Ventura and Sergio del Valle, members of the Politburo; and Jose Ramon Balaguer and Julian Rizo, members of the Secretariat.

The Communists of Villa Clara confirmed Tomas Cardenas Garcia as their first secretary for the province.

Economic efficiency, political-ideological work, exportable funds and the defense training of the people were the principal topics discussed in the central report. In addition, the assembly also dealt with the concerns of daily social life. Delegate Daysi Rivero of Santa Clara commented that the number of women in leadership posts is still low in this country, and requested that the Party take political action on this matter to attain more success in the struggle for women's equality.

Aurora Perez Gonzalez stressed that we must continue to improve the educational process and vocational guidance. She also called attention to the

need to improve the quality of classes and to make the teacher a true educator.

In the concluding remarks, Balaguer stated that despite the undeniable success in sugar production, and considering the influence this product has in the province, priority should also be given to important aspects such as obtaining higher yields per caballeria, giving more attention to planting, the selection of seeds, the preparation of land and other factors that affect yields. Moreover, "the role of the Party in attaining these objectives should be emphasized more."

On another point, referring to internal party life, he stressed that the work objectives approved in the assemblies, from the nuclei to the provincial level, "should not be dry statistics filed away in some document," but rather it is assumed that the nuclei have already verified the accomplishment of most of what was agreed upon. As for the city and provincial governments, he indicated that the implementation and monitoring of these objectives must be the primary responsibility of the committee plenums and the meetings of the executive boards in the next term.

Matanzas also held its assembly, and confirmed First Secretary Esteban Lazo in his post.

In a straightforward, critical and self-analytical style, the central report discussed the issues that affect this province.

Juan Almeida, member of the Politburo, made the concluding remarks. Among the various points he discussed, he indicated that more work should be done on the preparation of the topics of discussion at the meetings, in terms of the party perspective, quality, the implementation of the agreements adopted, and above all the improvement of the monitoring mechanisms that must be applied in order to carry out follow-up activities and ensure full completion.

Almeida spoke of the importance of a correct cadre policy, and asserted that this is one of the key elements in the direction of productive, political and social activity.

The commander of the revolution stated that "the capitalists, with the inhuman methods practiced in their system, can lead only with technical and organizational capacity. We, on the other hand, need something more than organization and technical know-how, as important as they are. To lead, we need something greater, something that guides us, an irreplaceable element: Communist morality. That is the source of our strength, of our authority; it may be the only thing that will make the people listen to us, follow us, and place their confidence in us."

"In recent times, especially, we all feel," he said, "that the spirit of solidarity, internationalism and Latin Americanism of the Cuban Revolution is being brought to the highest level by Fidel in the historic battle that he is waging against the foreign debt and its disastrous consequences for all underdeveloped countries. As revolutionaries, as Communists, as Cubans, we are moved to see Fidel devote himself to a task that is worthy of him, and to

a cause that is the cause of independence, sovereignty and the future of the Americas."

Presiding over the meeting were Jose Ramon Machado Ventura, member of the Politburo, and Julian Rizo Alvarez, member of the Secretariat, among other officials.

8926

CS0: 3248/80

TEENAGERS IN 'PREVENTION CIRCLES' HELP TO COMBAT TRUANCY

Havana MONCADA in Spanish Oct 85 pp 24-26

[Article by Jesus Barreto]

[Text] It is kids' nature to be mischievous, play around and get involved in certain pranks that are no real cause for concern.

Things get dangerous, however, when they begin to get into trouble, their school obligations get shunted aside and the lack of control in their lives becomes apparent.

Then special treatment is needed to make changes in their behavior. In this endeavor, the family is most responsible for the minor, followed by the teachers in their role as educators, and juvenile authorities. Since last year, another element has been added to this complement: students who have joined the "Prevention Circles."

While the majority of children fulfill their scholastic duties, others prefer to run around in the streets.

Among the Pioneers, such activities are condemned, while ways are sought to rehabilitate those who behave in such a manner.

This is the nature of the work performed by the Youth Prevention Circles, which are already operating at several educational centers in the country. One of those centers is the Juan Borrell Basic Urban Secondary School in Guines; ten Pioneers are participating in the program there.

In just over a year, its young members have built up a strong record in the treatment of misconduct and have learned a great deal about the work of the Interior Ministry in this aspect of social life.

Problem from Kids' Viewpoint

Second Lt Luis Hernandez, a prevention officer for the city, was responsible for forming the group. "It has been an interesting experience. Practice has shown how useful this kind of work can be when the kids themselves do it."

"We had background information on the activities of the Pioneers to improve discipline, but the Prevention Circles try to go much beyond that. It's like a specialization, a kind of confrontation and direct solution of the problems."

In fact, when you listen to them you get the impression you are dealing with adults, because of their detailed assessments of the situation and their serious approach to each task.

Tania Rivas, 13, confesses that she thought she would be able to convince a friend of hers to improve his conduct:

"The first time I approached him he hardly paid any attention to me. He would stamp his foot and refuse to look at me. My words didn't seem to matter much to him.

"Several days later I had another conversation with him about several instances at school when he had shown a lack of respect, and about his repeated absences. He looked at me indifferently, as if I were interfering.

"I observed him for a few days, and realized that he did not carry any notebooks, or rather, he took notes for all his classes in just one notebook. We got new notebooks at the Circle, put covers on them, and put his name on them. We gave them to him and invited him to study with us. We were surprised one afternoon when he showed up at the place where we always got together before exams."

Rene stopped going to class for no good reason. Adieren and Marisuly took it upon themselves to determine the real reason why he had stopped doing his school work.

"One afternoon," related Adieren, "we caught him playing ball. We went out onto the field to interrupt him and scold him, but all we did was make him furious.

"The next day we went back, but in a larger group. We tried to make him listen to our arguments. Soon he realized that we would keep at it forever, and he finally agreed to go the next day. And he went; we had won a small battle."

Circle Members Wear Long Pants

Each case is unique, and therefore requires unique treatment. When they managed to solve Daniel's problem, the members understood this premise of social work.

Daniel was a 13-year-old boy who would go to school only two days a week, for the express purpose of causing disruptions in class. There were times when he would stand around at the school entrance, and after a long conversation with his friends, would continue on to another place.

His teachers, the Pioneers Council and the prevention officer had already intervened in the matter, but the results did not indicate any change in his behavior.

"Let the kids in the Circle try," decided 2nd Lt Hernandez, like someone tossing a coin.

The fact that such a case had been referred to them really inspired the group, and it began to examine the effectiveness of the measures that had already been tried.

They all agreed to meet again to present their recommendations. At the end of that meeting, they reached the conclusion that they should launch a campaign to make him react, and that the whole circle should participate.

Ivet and Rolando felt that the tremendous strength of the rest of the group, including his closest playmates, should not be ignored.

Daniel quickly noticed that something strange was happening. But his greatest surprise came when several young people showed up at his house to talk to his mother.

The dialogue was heated. She tried to evade her responsibility, claiming that there were too many brothers and sisters and that she couldn't do any more. The Pioneers, for their part, warned her of the damage that was being done to him because he was not being forced to fulfill his obligations.

Three days later they went to the workshop where his father worked:

"And what do you want me to do? I'm tired of scolding him," responded the man indifferently.

The Pioneers' offensive included a boycott of the games in which Daniel played. They talked his friends into refusing to accept him during the times when he was supposed to be in class and putting him down when he boasted.

During that time he would sit alone on a wall across from the school entrance, dressed in his uniform. No one was seen talking to him, and when the bell rang he occupied his seat.

It was hard for the Pioneers to believe that Daniel had changed his ways, but they became convinced when he accepted their help in updating his notebooks.

The story does not end here. Through his friends they found out about a basketball game he was supposed to play in. The kids from the Circle understood how meaningful their presence would be to him at that game. And so it was; they say that in honor of their visit, he played as never before.

Good Luck, Pioneers

The members of the Prevention Circle always have work to do. The extensive program includes seminars and conferences that deal with juvenile matters.

They also spend a good part of their time accompanying the prevention officer on visits to reform schools throughout the territory, and on interviews with social workers to learn about these issues.

In addition, they visit museums and exhibits of sculptures and paintings, and they go to the theater.

Guide Leda Lopez is in charge of maintaining cohesion in the group. She is very strict about participation in these activities:

"They are fascinated with the investigations," she contends. "They are very thorough in arriving at conclusions about the cases, to make sure no mistakes are made. They have come a long way in this area, and I think they have learned a lot."

They have not yet decided what they will major in at the university. They dream of being doctors, engineers, psychologists and attorneys, but all of them are sure they will succeed.

8926

CSO: 3248/94

CAPTURE OF HAVANA CITY SUPERMARKET THIEVES RECOUNTED

Havana MONCADA in Spanish Oct 85 pp 27-29

[Article by Alfonso Piron]

[Text] Between February and March of 1985 the units of the National Revolutionary Police in the municipalities of La Lisa and Marianao took several reports of burglaries in various commercial establishments of the retail food network.

In almost all cases, the modus operandi employed by the culprits was similar, as was the amount taken (usually tobacco, cigarettes, food and alcoholic beverages).

In their statements, the administrators and managers of the stores in question indicated that the burglars had broken down doors and pried open windows to enter the buildings. This assertion was confirmed upon investigation by police experts.

It was also learned that the padlocks and chains used as a security measure in the stores would disappear in the incident, even when they were installed on interior doors and did not interfere with the criminals' actions.

During a visual inspection of the crime scenes, fingerprints and male shoeprints were found, principally in areas used for grain storage.

Burglars Strike Again

Early the morning of 12 March, a new incident was reported in another town in the municipality of Marianao.

On this occasion, the culprits entered the premises through the employees' entrance, for which purpose they used some sheet-metal sheers that were later found by police dogs on a vacant lot near the site of the burglary.

In addition, to the surprise of investigators, a few meters away from the cutting tool an I.D. card was found, still wet from the morning dew, bearing the name of Roberto Pando, a resident of La Lisa and an employee of the port warehouses.

Investigators learned at the local Committee for the Defense of the Revolution that this person indeed existed; he was a young man 22 years of age, known in the neighborhood to be well-behaved, and he participated actively in the organization.

The information obtained about Roberto Pando's personality and conduct was confirmed by the labor union and political organizations in the port warehouses: The young man was regarded as a good worker, and never caused any problems.

Both investigations, along with other details obtained at the same time, led to the elimination of Roberto Pando as a suspect in the burglaries.

Nonetheless, investigators thought a private interview with Pando would be a good idea, to clear up the matter of his I.D. card.

The conversation took place at a place near Roberto's workplace. The interviewer had only to glance at his face to realize that it did not match the picture that appeared on the document in the authorities' possession.

Pando's answer was very simple, and dispelled any doubts that may have remained about him: "I lost my I.D. at an event that took place in the amphitheater on Avenida del Puerto."

At this point in the investigation, it was essential that the police determine whose picture was affixed to Roberto's I.D. card.

Campaign Begins . . .

Within a few hours, the Search and Arrest officers of the provincial Criminal Investigations Bureau had in their possession a copy of the photograph, and a dragnet immediately began in the 15 municipalities of Havana.

At the same time, other steps were taken in conjunction with the municipal Identification Card and Population Registry offices and the units of the National Revolutionary Police in the capital, so that they could search through their records of those involved in criminal activities to find anyone who bore a physical resemblance to the subject of the search.

Late in the afternoon on 15 March, a citizen with features similar to those of the suspect was arrested. He turned out to be someone by the name of Faustino Gonzalez, and when he was arrested he had no identification whatsoever on his person.

All the answers he gave investigators were evasive and contradictory, including those referring to his I.D. card, which he claimed to have lost while doing a volunteer job. He did not, however, specify at any time why he had not requested a new one, where he resided, what he did, or where he worked.

The comparison of the fingerprints, nevertheless, provided the first piece of the puzzle: The thumb and index finger of Faustino's right hand matched two of the partial prints obtained at several of the stores where the burglaries had taken place.

Hours later, Faustino Gonzalez admitted his participation in the events.

End of Night Visits

The investigation into the suspect's personality, habits and lifestyle led the police to the individuals who were his closest friends, possibly including his principal accomplices.

The night of 16 March, Jose Luis Jaime, AKA "Totico" [Darky], was caught prying open the door of the Los Marineros Club on Avenida del Puerto.

His arrest was not linked at any time to the burglaries of the stores and supermarkets in Marianao and La Lisa, but rather to the four marijuana leaves he had in his pockets.

Upon reaching the Provincial Criminal Investigation Department he saw the error of his ways and confessed, like Faustino, that he had participated in the burglaries.

Almost at the same time, Nelson Garcia and Jesus Cuellar, known as "El Zurdo" [Lefty] and "El Jabao" [Half-breed], respectively, were also arrested when they knocked at the door of the home of Ramon Galletano. For several months he had been buying the burglars' ill-gotten goods to fence them on the black market.

With this latest arrest, the organized group that had been operating in the commercial establishments of the retail food network in Marianao and La Lisa was finally broken up. The campaign was effective, because the rats never returned to haunt the stores.

8926

CSO: 3248/94

BRIEFS

CHARLES ON CONSTITUTION--Roseau, 2 Nov (CANA)--After seven years of independence, Dominica's Prime Minister Eugenia Charles says she is not satisfied with the operation of the island's 1978 constitution. She told reporters the main problem stems from the fact that at the last minute, following independence talks in London, Dominica was given republican status, while the constitution was originally drafted for a monarchy. But Miss Charles said government will not yet act on a constitutional review committee report which was submitted earlier this year. She said the review committee had difficulty in getting public reaction, and government would make a second attempt at discussing the constitution with the population over the next year, before any substantial changes are made. The recent constitution has been twice amended since it was adopted on 3 November, 1978. The changes dealt with citizenship and eligibility for the presidency. [Text] [Bridgetown CANA in English 1832 GMT 2 Nov 85 FL] /9274

PARTIES IN ROSEAU ELECTION--Roseau, 8 Nov (CANA)--Dominica's two main political parties will at month-end test their popularity with the electorate in the capital, as they vie for control of the Roseau City Council. The electoral office today announced that both the ruling Dominica Freedom Party (DFP) and the opposition Dominica Labour Party (DLP) are fielding candidates in the 29 November elections to the 13-member city council. In general elections last July, the DFP won 15 of the 21 seats in Parliament. The municipal poll will see a new mayor, as incumbent Gonsalves Peltier is not standing again. The DLP boycotted the last elections in 1982, handing victory to the DFP. It, however, won a seat in a by-election two years ago. There is one independent candidate--Ronald Abraham, managing director of one of the island's two cable television companies. The City of Roseau is divided into four wards, with two candidates to be elected from each ward. Government will be following the results of the elections to appoint five persons to the 13-member council. Some 10,025 people are eligible to vote in the election for which nomination day was yesterday. [Text] [Bridgetown CANA in English 1747 GMT 8 Nov 85 FL] /9274

COFFEE, CITRUS IMPORTS BAN--Roseau, 11 Nov (CANA)--The Dominica Government today announced an indefinite import ban on coffee and citrus plants, following the outbreak of disease in Cuba and Florida. A statement issued by the Ministry of Agriculture said that it had been informed of an outbreak of coffee rust in Cuba and citrus canker in Florida. To prevent the further spread of these diseases, the Caribbean Plant Protection Commission and the Food and Agriculture Organisation (FAO) have advised all ministries of agriculture in the Caribbean to place bans on the movements of citrus stock, coffee plant material and unprocessed seeds, the statement said. It warned that restriction of the coffee and citrus plants, plant material and unprocessed seeds from importation into Dominica will be maintained until the ministry received further information from the Plant Protection Commission. [Text] [Bridgetown CANA in English 1942 GMT 11 Nov 85 FL] /9274

UK MARKETING ASSISTANCE--Roseau, 11 Nov (CANA)--A consultant provided by the British Government has arrived to help the Dominica Government set up a new export-import marketing organisation. The two-year assignment of John Winter follows a decision to merge the External Trade Bureau and the Dominica Agricultural Marketing Board (DAMB). According to the latest issue of the Ministry of Agriculture newsletter DOMINICA MARKET NEWS, the proposed agency will serve more than 1,000 farmers. The organisation will have interest in the imports of certain foods and in the export of several agricultural-based commodities, particularly fresh fruits and vegetables but excluding bananas. Direct trading activities with regard to importing rice and sugar will be the responsibility of the organisation and it will, in addition, compliment existing traders in export earnings and enhance farmers' incomes, said the newsletter. [Text] [Bridgetown CANA in English 1959 GMT 11 Nov 85 FL] /9274

CSO: 3298/125

GOVERNMENT, UNIVERSITY TO EVALUATE CUBA GRADUATES

FL082000 Bridgetown CANA in English 1856 GMT 8 Nov 85

[Text] St Georges, 8 Nov (CANA)--Grenada wants the University of the West Indies to help the island assess the degrees of 45 Grenadians who recently returned home from studies in Cuba, Education Minister George McGuire says.

The students were offered scholarships to Cuba during the 1979-83 rule of the leftwing People's Revolutionary Government (PRG), which had close ties with Havana. Mc Guire told CANA that until this assessment is fully completed, the government would not be able to offer jobs to the graduates.

The Grenada Government needed proof that the students who returned home with degrees in economics, dentistry and engineering are really qualified to do jobs given them, he said.

We have not had any history in the past of sending our students to the Eastern bloc countries or Cuba to study, so you would appreciate that we would want to assess the quality of their diplomas.

We are right now going through an accreditation process, and I am pleased to say that the University of the West Indies has promised to assist us in our evaluation process and, when that is complete, we would know exactly where we are with them, he said.

McGuire rejected charges from spokesman for the previous leftist rulers in Grenada that his government was not prepared to give jobs to the students because of Cuba's communism.

He said that although the question of ideology could be a determining factor in the cautiousness of the government in granting jobs to the students because of the history of violence on the part of the left, the administration here was committed to reconciliation.

/9274

CSO: 3298/126

BRIEFS

BWIA FLIGHT CANCELLATION--BWIA has discontinued its weekly direct flights into Point Salines International Airport from New York while the airline awaits a final decision from government. A BWIA representative told GRENADIAN VOICE that the Airline had been given three options to deal with the high cost of servicing the flight which was scheduled to arrive at 3.35 each Saturday morning and depart at 4.20 a.m.:--(a) Cancel the flight, (b) change the schedule to provide for an earlier arrival of the flight, or (c) pay increased landing fees. The Airline chose the first option for the time being pending further consideration of the matter. On the other hand, Dr. Keith Mitchell Minister responsible for Aviation told the VOICE that he was surprised to hear that the flight had been cancelled since he had assured BWIA representatives that Government would be happy to have the flights continue. [Text] [St Georges THE GRENADIAN VOICE in English 12 Oct 85 p 3] /9274

CALL FOR HUMPHREY'S RELEASE--St Georges, 7 Nov (CANA)--Grenada's left wing New Jewel Movement (NJM) tonight called for the release of imprisoned trade unionist Chester Humphrey, now in day 67 of a hunger strike to protest his pending extradition to the United States on gun-running charges. The statement by the NJM, most of whose leaders are in jail awaiting trial for the murder of former NJM Prime Minister Maurice Bishop, said that Humphrey was determined to starve himself to death if the government failed to take a political decision to free him. The statement, issued by NJM executive member Ian St Bernard, called on Grenadians to protest the attempts to extradite Humphrey and to support his defence fund. Humphrey is an executive member of the NJM, which was toppled from power in the October 1983 U.S.-led invasion of the island following the execution of Bishop in a bloody palace coup. He jumped bail in the U.S. in early 1980 after being charged with the export of arms and ammunition to his homeland, allegedly used to help in the NJM's rise to power in a 1979 coup. Humphrey has filed an appeal against the rulings of two lower courts that a sufficient case was made out for his return to the U.S. to stand trial. [Text] [Bridgetown CANA in English 2233 GMT 7 Nov 85 FL] /9274

FAR EAST INVESTMENT--St Georges, 7 Nov (CANA)--Grenada will join the Caribbean drive to secure investment from Far Eastern nations, particularly those in Hong Kong, External Affairs Minister Ben Jones says. Jones told CANA that he would explore adding stops in Japan, South Korea and Hong Kong to his

China trip in spring 1986. He stated that shortly after the New National Party (NNP) was voted into office in Grenada nearly a year ago, some investors from Hong Kong visited the country expressing a willingness to set up business on the island. We will in very due course be talking to Hong Kong, China, (South) Korea and all of them, with a view to encouraging them to come here and get involved in the development of business. I think the opportunity is there to even induce the Japanese to come, because they have expressed willingness too. So once I am in that area (Far East), if it is possible I would go to Japan and South Korea because they have expressed interest in Grenada, Jones said. [Text] [Bridgetown CANA in English 2107 GMT 7 Nov 85 FL] /9274

CSO: 3298/126

NICARAGUA

CDN ADDRESSES CONFERENCE FOR PEACE, DEMOCRACY

PA142224 San Jose LA REPUBLICA in Spanish 8 Nov 85 p 25

[Paid advertisement by the Nicaraguan Democratic Coordinating Board, CDN, no date given--passages within slantlines published in boldface]

[Text] /Honorable gentlemen, organizers and participants of the "2d conference for peace and democracy in Central American"/

/San Jose, Costa Rica, from 8 to 10 November/

When it learned of the "2d Conference for Peace and Democracy in Central America" in San Jose, Costa Rica--a conference to which we did not appoint delegates because we were not invited--the "Nicaraguan Democratic Coordinating Board" decided to let you know the true feelings of the Nicaraguan people, the majority of whom it represents in their struggle for peace and democracy through the labor, business, professional, and political groups that make up our organization established in Nicaragua.

We believe that the absence of the voice of the democratic, internal, civic, and Nicaraguan opposition, with all its broad representation, leaves a basic vacuum in any attempt to seek solutions to the serious Central American crisis.

On several occasions we have told national and international public that we are convinced that there will not be peace in Central America without democracy in Nicaragua, but we have not yet found enough ears in Latin America, North America and in democratic Western Europe to listen to us. We also know that the "Nicaraguan Permanent Human Rights Commission" sent letters twice to each of the Contadora Group presidents telling them the same but receiving no attention.

Recently, the CDN tried to organize a Central American symposium on Contadora in Managua to discuss precisely these topics with Central American popular organizations, those directly interested, in the hope of reaching true and effective conclusions. Unfortunately, the state of emergency decreed by the Sandinist government made the holding of this event impossible.

Gentlemen, organizers, and participants: Nicaragua's democratic people are asking for your solidaristic support; they are asking you to publicly recognize that peace in Central America means that there should be democracy in Nicaragua; they are asking you to publicly recommend, as the sole political project viable for peace and democracy in Nicaragua, the holding of the "national dialogue" that the Nicaraguan people have been demanding since December 1983; it is a dialogue that must be held between the ruling FSLN party and the democratic opposition held and organized by the "The Episcopal Conference" of our country whose result must be duly backed and guaranteed internationally. This is what the Nicaraguan people expect of the second conference for peace and democracy in Central America.

Foreign ideological and political interests can demand that you disregard our historic reason and the tremendous reality experienced by our people. It is up to you.

Yours truly,

The Nicaraguan Democratic Coordinating Board

/Nicaraguan Conservative Party (PCN)/
/Constitutionalist Liberal Party (PLC)/
/Social Democratic Party (PSD)/
/Social Christian Party (PSC)/
/Nicaraguan Workers Federation (CTN)/
/Unity of Trade Unions (CUS)/
/Federation of Nicaraguan Chambers of Commerce/
/Chamber of Industries of Nicaragua (CADIN)/
/Nicaraguan Development Institute (INDE)/
/Nicaraguan Chamber of Construction/
/Union of Nicaraguan Agricultural-Livestock Producers (UPANIC)/
/Confederation of Nicaraguan Professionals Associations (CONAPRO)/

/8309

CS0: 3248/85

PROBLEMS WITH MANAGUA PUBLIC SERVICES DISCUSSED

Managua LA PRENSA in Spanish 5 Sep 85 p 2

[Article: "Rainwater Drainage"]

[Text] Possibly the most serious problem that Managua, its inhabitants and the mayor's office confront is the inadequate, obsolete, and deteriorated gutters, culverts, bridges and related structures that need repairs. It must be admitted that these problems have never been taken care of with the proper technology by any government since the earthquake of 1931. Temporary repairs have been resorted to following winters, and inadequate preventive measures have been taken a few weeks before the rainy season.

But the renovation and enlargement of Managua's drainage system need new plans, studies, financing, budgets, apt and capable contractors, and a maintenance system that would at least allow Managua to put a stop to an ever increasing bad image as a dehumanized, dirty city, the majority of whose houses have their walls covered with political slogans; a city that, almost 13 years after the earthquake of 1972, has not achieved new heights or minimum levels of prosperity in any area.

Water Supply

After a brief zonal rationing of water, the Managuans had never experienced a drastic two-days-per-week rationing of water, over approximately 10 months. Regarding this, an opinion given by the Nicaraguan Association of Engineers and Architects (ANIA) predicts that the INAA [Nicaraguan Water and Sewage Institute] will inevitably have to increase the number of days when water is rationed. INAA has said that even with the gradual normalization of the rains the level of Asososca has decreased by 18 centimeters.

Managua's Uncontrolled Growth

Since July 1979, 52 settlements have sprung up in Managua in an uncontrolled manner. There are 142 neighborhoods and no one knows how or when this growth, which causes particular social problems, will come to an end. The number of people in Managua must have increased, and perhaps we will soon reach one million, which is cause for concern. A government official was

saying that it is the policy of the government to manifest indifference towards the inhabitants of these settlements, that is to say, not to install electricity, drinking water or any other service, in the hope that some day they may abandon the settlements and be transferred to uninhabited areas in need of population.

Migration from countryside to city is an old phenomenon that threatens big cities. It creates disorders, problems, and difficult situations for health, schools and housing, and fosters unemployment, idleness, parasitism and delinquency.

It is perhaps one of the oldest problems of the contemporary world, which inhibits progress because of an almost universal lack of planned growth. The growth of settlements requires new roads, health stations, schools, supply and storage of food, but rarely can nations cope with these demands. Managua is perhaps the Latin American city most affected by these settlements, harshly called in other countries "poverty belts" or "slums."

Street Maintenance

Perhaps Managua's growth was faster than the effort made by the mayor's office during the years 1981 and 1982, when overflow lanes were widened into parallel roads. This effort probably neglected the maintenance of the old streets and roads and the problems became worse when the mayor's office admitted publicly to not having the materials to make asphalt.

Soon potholes were commonplace in every city street, and they were worse in the road leading west, which even at the beginning of this year was the worst road in the world, perfectly suited to the destruction of automobiles and of human lives. Added to this and to the lack of asphalt, the serious condition of the streets still requires equipment, personnel, and more than anything else, continuous production of materials. During his appearance in the National Assembly, the former mayor of Managua, Samuel Santos, admitted that very few rolling cement mixers are left, besides which, the cement has been allocated for the construction of a road in San Francisco del Carnicero.

Maintenance of the streets is necessary not only for the city's appearance, but to contribute to the maintenance of the country's motor vehicles. Worse yet is the fact that along with the condition of our streets, Managua is a city lacking a good mass transportation system. The transportation system is poor because out of 750 buses needed by the population there are only 320 running on streets that are always in disrepair and not appropriate for the size of the buses.

Transportation

Even though transportation is not a problem of the Managua mayor's office but rather of the Ministry of Transportation, it is inseparable from it. Inseparable because in order to have a good transportation system there must be urban planning, streets that are adequate for the buses and trucks. A mechanic was saying recently that the government has made a mistake by importing and putting such big buses in such small streets. He explained that

these vehicles suffer from constant overheating because they stop often and the transmissions are never shifted above second gear, so that the motors heat up.

Another factor that is part of the whole problem is the real and true absence of expert, responsible drivers. Do you, reader, believe that there are in Managua 400 drivers who really know how to drive a bus? Do they know how to shift gears, take proper care of the vehicles, in brief, are they drivers in every sense of the word?

For the last seven years Managua has not received or accepted advice from an independent expert regarding transportation. For example, the government, out of sheer arrogance, pays little attention to recommendations of those few persons who know about transportation in Nicaragua. One of these experts was explaining recently that Managua urgently needs public works such as the widening of the road to Masaya, at least up to kilometer 10, and a connecting road starting approximately where Las Americas road ends that would go south and join with the road to Masaya.

Garbage

Managua permits nine large refuse dumps in different areas. It is no secret to anyone that one of these dumps located on the Lake shore has developed a stench that defies any possibility of elimination. Nonetheless, indigents enter the dump to see what they can find to survive. These garbage deposits increase health problems and are eyesores.

The garbage problem also calls for: adequate transportation, special streets or roads, special personnel, a budget, but more than anything else, the contracting of specialists in environmental decontamination who would help to alleviate this menace. However, the main goal of the mayor's office will be to study how we can solve the problem technologically and then take speedy action to resolve it.

Public Illumination of Green Areas, Parks and Sports Arenas

The problems of lack of illumination of green areas, parks and sports arenas can be summarized into one. The illumination contributes to the preservation of life itself for drivers, the physical safety of pedestrians, and it gives the city a different appearance. A dark city seems like a dead city and nobody dares go out at night. Green areas are very important for a tropical city like Managua, inasmuch as they help to cool the air and also serve as embellishment. Stopping the construction of parks contributes to the lack of attractions in the city. Parks are relatively inexpensive investments and are essential for children.

In Managua the indifference of the mayor's office is quite evident in the case of the monuments to two national heroes. One of the basket bearers in the monument to Ruben Dario has been missing an arm for six years and the monument in honor of General Jose Dolores Estrada is partly destroyed and its surroundings are rough fodder grass and abandonment. On the other hand, only one area of the central park looks like a garden. The mayor's office of

Managua has built only part of it, a very small part, by the way, in all of Managua during the last 6 years, and this was the Bill Steward Park.

Could it be that Managua is a castigated city like Havana? Or could it be that the resources are absorbed by the army, its need for an infrastructure, etc.? The truth is that there is no progress in Managua, and the government, through the mayor's office, cannot even provide maintenance to those things that the city needs.

If Erwin Kruger were alive he would forbid the singing of his song "To Managua", the city that he called "The Sweetheart of Xolotlan", which "with its lagoons of cellophane and its velvet nights", was built so that it has no equal. But Managua still exists. Let us all do something for her.

9907

CSO:3248/29

BRIEFS

COOPERATION AGREEMENT WITH SWEDEN--A total of 17,515,000 Swedish kronor (approximately \$3,000) is the total amount of a cooperation agreement between the Swedish Government Agency for Scientific Cooperation (SAREC) and Nicaragua, the rough draft of which was signed yesterday in Managua. The agreement, undersigned by Jose Angel Buitrago, Vice Minister for Foreign Cooperation and the official from SAREC, Enrique Ganuza, includes technical assistance and equipment for the training of Nicaraguan personnel in different branches of production. These include research about racial groups in the Atlantic Coast, to be carried out by CIDCA along with the faculty of Social Anthropology from the University of Stockholm, and studies about the production of beans, which will continue to be carried out by the Directorship of Agriculture and Livestock Research in coordination with the University of Uppsala. Also INMINEH [Nicaraguan Institute of Mines and Hydrocarbons] will do a study on geology and mineralogy; in the investigation of labor related medicine, medicinal plants and microbiology [as published] at the same time that the INE [Nicaraguan Institute of Energy] will start a project on the use and manufacture of a system for heating water with solar energy. SAREC has been collaborating more and more closely with Nicaragua. The latest agreement, which included the period July 1984-July 1985, was estimated at 5.3 million Swedish kronor. The next 2-year period includes the signing of an agreement between the Swedish Royal Institute of Technology and the Simon Bolivar University of Engineering. [Text] [Managua BARRICADA in Spanish 6 Sep 85 p 5] 9907

POLISH DONATION--Corinto--The business adviser of Poland's embassy in this country, E Stanislaw Hryajcat, delivered Friday, at the port of Corinto, 2,044 packages containing 62,000 articles of clothing for both sexes and 10,000 baby bottles for Nicaraguan children. At the delivery ceremony Comrade Hryajcat explained that the gift is worth \$1 million and added that the people and the government of Poland will continue making common cause with the Sandinist people who struggle to consolidate the revolutionary process. For her part Comrade Graciela Silva, director of the Mixed Committees of the Ministry of Foreign Cooperation, on receiving the donation in the name of the government of the people of Nicaragua, said that we were grateful to the government and the people of Poland for their noble gesture, which is of great importance at this moment when our country is being attacked economically and militarily by imperialism. It is worth noting that the donation is a supplement to the donation of 900 tons of cereal that arrived last week at Corinto from Poland.

[Article by F. Thomas] [Text] [Managua BARRICADA in Spanish 10 Sep 85 p 5] 9907

DUTCH COOPERATION--The Dutch Government will help finance an emergency project to repair and refurbish hospital equipment that will begin in January 1986. The Dutch technical and financial cooperation totals approximately \$7.5 million. Part of the fund will be used to set up hospital equipment maintenance shops. This will be carried out through contracts with international concerns, including the "Siemens" conglomerate. [Text] [Managua Radio Sandino in Spanish 1200 GMT 15 Nov 85 PA] /8309

SWEDEN DONATES FARM EQUIPMENT--The Swedish Government has donated, in solidarity with Nicaragua, \$125,000 worth of farm equipment to the Heroes and Martyrs of Santa Barbara and Adolfo Barbero Luna cooperatives, both in Leon Department. The donation, consisting of two tractors, sowing attachments, a radio communications system, eight mobile units to take care of sick animals, and two sets of artificial insemination equipment, was delivered to the cooperatives by Swedish Embassy officials. The regional director of the National Union of Farmers and Cattlemen, UNAC, and an official of the Agricultural Development and Agrarian Reform Ministry, MINDINRA, attended the ceremony. [Text] [Managua Domestic Service in Spanish 0300 GMT 16 Nov 85] /8309

HUNGARIAN DONATION--A gift of typewriters for technical education, blankets, notebooks, pencils and other school supplies was delivered yesterday to Father Fernando Cardenal, Minister of Education, by Comrade Bela Kalauz, first secretary of the Hungarian Embassy. The donation was sent by the Solidarity Committee and the Union of Hungary's Communist Youth and constitutes a beautiful gesture of solidarity, brotherhood and love between the countries. The school supplies that were sent were collected by the children of that country and their generosity with belongings dear to them is very meaningful. Bela Kalauz stressed the friendship between the two countries and pointed out that at the present time there are many Nicaraguan youths studying in Hungary. He added that the Hungarian people, and especially children made orphan by the Second World War, who today are men and women, know very well how terrible war is, for which reason with this small gift they want to ease the hopeless grief of those children. For his part Father Fernando Cardenal, was grateful for the delivery and said that those supplies will reinforce what the Revolutionary Government is doing in the field of education. He added that while imperialism wishes to subjugate us, the friendly socialist countries help us to defend and maintain education, which helps in the defense, according to the minister of education. [Text] [Managua BARRICADA in Spanish 10 Sep 85 p5] 9907.

CS0:3248/29

COMMUNIST DEPUTY ON APRA POLICY, IU FACTIONS, TERRORISM

Lima EL NACIONAL in Spanish 3 Nov 85 pp 10, 11

[Interview with Gustavo Espinoza Montesinos, PCP deputy; date and place not specified]

[Text] Question: The PCP [Peruvian Communist Party] supported Velasco in the development of a reformist government. Does that have anything to do with the PCP's passive attitude toward APRA [American Popular Revolutionary Alliance] which is also attempting a government of reforms?

Answer: What we supported in Velasco's process was his anti-imperialist policy that was translated into deeds, into tangible actions. In the case of the APRA government, these deeds still do not exist or are very weak. What does exist is the enunciation of an anti-imperialist policy. The PCP and all the IU [United Left] fight to advance from anti-imperialist talk to action.

In that sense, it is wrong to say that the PCP and the left have a passive attitude because we are systematically fighting from the popular movement, the working class, the mass organizations, daily political activity, and the Parliament to make the anti-imperialist policy concrete. That has been the meaning of our speeches in Congress about major events occurring in the country.

Question: In the past, the CGTP [General Confederation of Peruvian Workers] in which the PCP has a majority acted as an opposition force. It has not spoken out yet....

Answer: That is not true. A national strike has not been organized, but there have been mass mobilizations, major strikes like the banking one, struggles by workers in different enterprises and our active presence in the streets. We feel that it is not right at this time to propose a national strike--and I emphasize at this time--because the APRA government is different than the Belaunde government. If we compare the two governments, we can easily conclude that the APRA policy does not seem to be as antilabor and antipopular as the Belaunde government which directly represented the financial capital interests.

An obvious example at this time is the discussion of the Labor Stability Law in the Chamber of Deputies. Not only is it infinitely better than Law 22126 but it is better than the bill sent by the Executive Branch. It is even better than the majority finding proposed by the Labor Commission. This demonstrates that the law is being substantially improved through debate, the speeches of the IU parliamentarians and the fights of the workers.

Question: The IU is facing serious problems finding a road to organized opposition. There are loud voices that clearly reflect the differences concerning a concrete position toward APRA. Outside of signing public agreements, how will these problems be resolved?

Answer: It is obvious that the IU faces problems and that its actions have not been meeting the needs of the popular movement. This is not just maintained by the PUM and UNIR leaders, but by all the parties, even Alfonso Barrantes himself. There is no need to verify that the IU has problems; there is no disagreement about that. The discussion now focuses on why it has had problems and how to resolve this situation. There are forces in the IU that find it very easy to make Barrantes responsible for this, but they do not make any effort toward self-criticism. It is necessary to point out that the PUM and UNIR are also responsible for the problems of the IU due to their failure to help facing the so-called "crisis."

We do not believe that the differences in the IU can be attributed to one person or to one or two parties. One of the aspects that unquestionably generates problems is sectarianism, ideological primitivism, which is not just the patrimony of the PUM or UNIR. We can verify the existence of sectarian, primitive and anti-unity elements in all the parties. There are, of course, correct, sensible, pro-unity comrades in all the parties, too.

I must point out that the pro-unity elements are much stronger than the divisionist elements assume.

Question: You do not admit that another problem of the IU is the fact that its most noted representatives have been absorbed by Congress or the "representative democracy" which communism rejects ideologically.

Answer: That might have occurred to some comrades personally, but not to the parties. I admit that there are those who live outside the popular masses and who are attracted by the "bourgeois democracy," but this phenomenon cannot be generalized. The IU has been able to maintain and defend its profile. It has not been reduced to criticizing the bad and supporting the good in the APRA government. It is involved in a concrete struggle to open the way to democratic and anti-imperialist transformations in the country. This can be observed daily in parliamentary debate where confrontation with the APRA group is obviously not the product of conciliation, but the result of different concepts.

Question: There are aspects like the treatment of the foreign debt problem and the price control policy where there is apparently substantial agreement....

Answer: It is obvious that both constitute a step forward. In the case of the foreign debt, however, there are major differences. The APRA government has not gone beyond anti-imperialist words to take a position, through deeds, against financial capital. Also the supreme decrees published by the APRA government in August and September which are the only provisions on the foreign debt seem like two drops of water compared to the decrees of the Belaunde government promulgated in February 1985.

As to the price control policy, it should be pointed out that it is very good in words but it is unrealistic. To give one example, the government froze the price of rice but only one type of rice that is not found on the market. However, the variety that the housewives see does not have a fixed price.

This contradiction between what Alan Garcia's government says and does can be seen in the official figures from the Central Reserve Bank on the foreign debt. In August and September, \$68 million were paid to our creditors. If that trend continues, in 6 months we will have paid \$408 million and, in a year, \$816 million. These amounts contradict the government's verbal position to pay only 10 percent of the export revenue.

Question: Let us go on to another topic, deputy. It is obvious that Shining Path has entered a stage of more radical actions here in Lima, having to its credit the assassination of the director of El Fronton, Miguel Castro. This can be interpreted as a response by the Shining Path "staff" to the confiscation of weapons by some contingents in Ayacucho. Is there any way to confront Shining Path?

Answer: In the first place, not all the attacks can have been executed by Shining Path. They can be attributed to it as a possibility to be confirmed. When these deeds occur, we must think about other factors and analyze in what context they occur and whom they benefit. Obviously if we analyze the current context, we will see that those who are interested in creating a climate of anarchy and chaos in the country are imperialism and the far right because they are the only force that is really in the position to benefit from that situation in their attempts to impose a fascist dictatorship. This dictatorship would be more capable than even the Belaunde government of making the dictates of the IMF and the interests of financial capital prevail in the country. In our opinion, there is a fascist nucleus of civilians and military acting in the country.

Question: Doesn't it seem to be an exaggeration to state that there is organized fascism at this point?

Answer: Not at all.

Question: You can give us the names of its promoters....

Answer: Due to his political statements, we could, for example, assume that men like General Cisneros Vizquerra, retired, work in that direction. His recent statements to EL NACIONAL--and before to CARETAS--openly justify an extermination policy, arguing that, in his opinion, all wars are dirty. This demonstrates his complete support of the most reactionary military nuclei.

We thought that the most reactionary groups were in the Navy which, as we recall, produced terrorist groups that attacked Admiral Faura Gaig and Admiral Arce Larco and, later, Cuban ships. However, after hearing General Noel's statements in Ayacucho, we can only assume they are also in the Army.

Naturally, there are also civilians who justify the genocidal policy like Senator Andres Quintana who, despite being a member of the Human Rights Commission, rejects trying the military who carried out the massacre of Accomarca.

Ulloa and Benavides Ferreros who are agents of the IMF and instruments of financial capital lean in that same fascist direction. We could place Luis Percovich here. He covered up the perpetrators of the attack on Jorge del Prado in March 1984 and protected his advisers, like Luis Lopez Vergara, directly linked to mafias of smugglers and traffickers.

As can be seen, if we put all this together, we have a power capable not only of justifying a terrorist policy, but also capable of carrying it out.

Question: Can the actions of Shining Path and of the alleged fascist cell be differentiated?

Answer: It is necessary to make a meticulous investigation which can only be done with government resources. It is very difficult, even impossible, for the opposition or the masses to find evidence. Unfortunately, the APRA government does not demonstrate interest or willingness to discover these fascist ties as Argentina has done.

The recent kidnapping of the owner of the El Embajador Grill was carried out by a GR [Republican Guard] in active service and members of the PIP [Peruvian Investigative Police]. It has also been established that other members of the GR committed hold-ups to get money. It should be asked: Why do they want money? To live better or to finance subversive operations like those that occur in the country each day?

Question: In other words, you are exonerating Shining Path of the criminal actions that are causing mourning in dozens of families?

Answer: It is obvious that Shining Path exists and that it carries out armed actions and even terrorist activities, but it is also clear that it does not have the organization or the fire power needed to carry out such precise raids. It is even very debatable whether the many peasants or students imprisoned in the CRAS of Lurigancho can have had enough operational capacity to oppose the police intervention which ended in the massacre that the APRA government does not want to clear up. In any case, they would have had to have acted with open protection of the police or with their complicity.

In the murder of Miguel Castro, it is necessary to look at the motivations and direction which are different from those for a car bomb. Castro's murder

would have to be tied to the activities of Castro himself in his questionable administration of the prisons.

7717

CSO: 3348/200

PCP-PR SECRETARY GENERAL DISCUSSES ISSUES

PY131340 Lima LA REPUBLICA in Spanish 27 Oct 85 pp 20-23

[Interview granted by Peruvian Communist Party-Red Fatherland, Secretary General Alberto Moreno, who admits that this name is an alias, to LA REPUBLICA reporters Mirko Lauer and Ismael Leon--time and place not given]

[Text] LA REPUBLICA: Mr Moreno, perhaps your most remarkable characteristic is that you chose to remain underground much longer than other leaders who did so or toyed with the idea. It is obvious that this option of staying underground or not reflects a position as to whether what we have is indeed a true democracy, not only as far as security goes but also regarding the freedom to interact with the masses. What has happened in the country that prompted you to take this step forward, that is, to come out into the open?

Moreno: One of the main reasons is that today, more than ever, there is need of my help to develop a vast organized mass movement. It is obvious to us that there is a chasm between organized political parties and large sectors of the population that aspire for a political organization, something that is possible to attain through a revolutionary organization. The organized political parties are a step behind the masses. I could do very little as long as I remained underground.

LA REPUBLICA: To what extent and in which direction would Peruvian left-wing parties have to go in order not only to represent but actually to epitomize the mass movement in Peru?

Moreno: I believe that they should change quite a bit. First, these parties must seek true superiority, they must become the true leaders of the vast movement of the masses. In the second place, there must be a drive to organize the movement of the masses that mostly, because of mistakes by my own party and the left in general has been unable on the spur of the moment to go beyond outbursts and behavior basically oriented toward economic goals. This is one of the great historical responsibilities that Peruvian communists have. If we do not manage this, if we are unable to go beyond the disorganized outbursts and their purely economic objectives, the revolution does not have many real chances of attaining victory.

LA REPUBLICA: When you talk about economic goals, do you mean the role that labor unions and their struggle after labor gains have played in the growth of the left, or is there something else?

Moreno: There is much more to it. The concept of political leadership directed at the attainment of gains or the fulfillment of economic goals should not be blamed on the workers. This policy has been followed by organized parties and has a background of several decades, something which, unfortunately, is not always well understood. Furthermore, since it is of such longstanding, not much is being done to understand its reasons.

LA REPUBLICA: Mr Moreno, you are one of the very few leftists who has used the term "direct democracy." What does the expression "direct democracy" mean to you?

Moreno: I believe that it is a key phenomenon. I would say that it is a remarkable development that is taking place in this country, a democratic structure that is being born of the masses. The chasm between political parties and the masses is frequently the result of the parties' inability to recognize the new elements that have come up from the bottom ranks, spontaneously perhaps, opening up a whole new world of possibilities. In the final analysis, direct democracy means acknowledging that the masses play a leading role in society, in the process of change that societies undergo. Their role is such that if we truly want to democratize society, it must be allowed to participate directly in the building of democracy, [starting] from the bottom.

LA REPUBLICA: Mr Moreno, I would like you to tell us about your 20 years of experience underground. I would like to know how has this experience affected your view of the country and your relations with the people.

Moreno: Perhaps my attitude in these two areas is directly related to my experience underground. We staged a rebellion in 1968 against a political attitude and the markedly personalistic behavior of the leaders, seeking to bring about a change of course in politics. We are working on this, and we hope that this quest will be assumed by the rest of the country, or at least the revolutionary parties. With this in mind, we have kept in constant touch with the rank and file. Many of our proposals are closely tied to the feelings of the rank and file. We are gathering their input, the input of new elements that are emerging from a particularly rich process. My impression is that politics is still being viewed as a quest for certain superficial and transitory issues and gains.

Our effort is aimed at building the party, putting its ideology and programs together, above and beyond other issues which, though important, can be taken care of later.

LA REPUBLICA: I was asking you about the underground because your experience is, to some extent, unique. The rest of the left-wing parties participated in the most recent elections on the same footing with other legal parties. However, in 1978 your party abstained from participating in the elections for the Constituent Assembly, but 2 years later you changed your mind. Why didn't you want to participate in 1978, but were willing to do so in 1980 and 1985?

Moreno: In 1978 we felt that the developments in the class struggle made it necessary for us to take a political stance. We made a mistake then by calling for a boycott. Conditions were no longer favorable for a boycott, but we were worried about something else, we were trying to prevent the neutralization of the strength that we had accumulated since 1970 that was being sought through a pretty clear-cut scheme prepared by General Morales Bermudez. That is what we were worried about.

LA REPUBLICA: Just a short while ago you said that the economic approach was to blame for the lack of growth of the mass movement, and especially for blocking the participation of the left. Those are your limitations, but to what do you attribute the electoral success of the American Revolutionary Popular Alliance [APRA]? Don't you consider that it is a success of the masses above and beyond the elections themselves? And in any case, whether or not this success goes above and beyond elections themselves, to what do you attribute it?

Moreno: As far as I am concerned, there are many factors. First of all, there was a widespread consensus after the obvious failure of the program enacted by the previous government. The people felt that a partial turn toward APRA was more suitable and trustworthy than a turnaround toward the left, which has been unable to give the people straightforward ideas and proposals in its programs.

LA REPUBLICA: There are some critics within the United Left [IU] who are accusing the movement and its leaders of being at odds with their principles, of fostering, to some extent, the predisposition of the masses toward more moderate options. Thus, they score anything that they see as excessive similarity of style between the proposals of the IU and those of APRA. What do you think of this?

Moreno: I would say that this is one of the causes of the IU's current crisis, because that is what we have, a crisis. It can be overcome, of course.

LA REPUBLICA: Would you define it as a growth crisis?

Moreno: It could be, but more than anything else it is an identity crisis. If the IU has a project but is unable to act in keeping with this project it is bound to lose ground, and if it loses ground it ceases to be a feasible option capable of awakening the enthusiasm and support of vast sectors of the population that want a change, that want this country to move forward...

LA REPUBLICA: How far does the independence, for lack of a better word, from APRA go? Does it mean radical opposition? Does it mean a sort of pro-forma opposition, which seems to be the case now? Is it a little of one and a little of the other?

Moreno: We are against something that has actually been happening without there being any sort of formal agreement. This tactic could be summarized as follows: support for APRA's positive points and questioning its negative ones. If that is all a tactic amounts to, it is not right because it precludes the left from playing an independent role, it takes away its initiative and compells it to adjust its actions to whatever APRA choses to do or not to do.

We have to talk about planned opposition, an opposition based on differences between options at play, because this country is going through a crisis; not a temporary crisis, as some people believe, but a structural crisis. What one must look for is solutions to the situation resulting from the structural crisis without neglecting the quest for partial solutions to contingency problems.

LA REPUBLICA: Does this mean that your programs do not coincide with those of the IU, or does it mean that IU programs are governed by tactical considerations, like the ones you mentioned?

Moreno: What is actually happening is that the IU is behaving strangely. It has a very meaningful government program, but there is a chasm between its program and its actual behavior, and this chasm is one of the causes of the crisis.

LA REPUBLICA: Do your people still believe in violence as the people's last resort in the struggle for power? If this is the case, what is the difference between you and the Shining Path?

Moreno: It has been historically proven that violence is the result of external conditions and the dynamics of class struggle. It is beyond the wishes and the will of the people. In this country people believe that violence is inevitable if there is a revolutionary effort to change society. The difference between us and Shining Path is that for us, violence is an extension of the political struggle when all other channels have been closed and the masses have no other means to make their rights prevail. But violence can never be a voluntary act. Neither can violence per se be considered a factor of strength.

LA REPUBLICA: Did you discuss this with Abimael Guzman [top leader of Shining Path]?

Moreno: I hardly know him.

LA REPUBLICA: Or at least with his party?

Moreno: At that time, meaning the sixties, the party was on the wrong track. It worshipped guerrilla warfare, as we said at the Fifth Congress. Violence was the determining factor of whether one was a revolutionary or not. When we broke relations with Paredes's faction in 1969, we released a communique stating that the most urgent task of the Central Committee was to go into the field to organize an armed struggle. Personal considerations, the power balance at that time, the true condition of the party, which was almost utterly destroyed at that time, were not taken into consideration. The prevailing feeling was that something had to be done. However, if conditions are truly inappropriate, the will to do something is meaningless.

LA REPUBLICA: What role do you think the APRA administration will play in accumulating conflicts or toning them down?

Moreno: The basic problems the country is facing must be resolved.

LA REPUBLICA: Is APRA solving the problems? Is it beginning to solve them? Do you think this administration has a chance?

Moreno: My personal feeling is that the APRA administration is attacking the effects of the problems, not their causes, and as long as it keeps directing its attention at the effects and transitory problems, enacting contingency measures capable only of alleviating the problems, there will be no in-depth solutions.

LA REPUBLICA: In general terms, people are aware of the importance of the Red Fatherland faction, not only because of its constituency within the left but also because of the nationwide influence it has had, especially since the great teachers' strike in 1971. However, it would seem that there is a sharing of influence within the left. It is known that the PUM [Unified Mariateguist Party] is deeply imbedded in intellectual circles. It is also known that the PCU [Peruvian Communist Party-Unity Faction] has close links with the labor unions of the bureaucracy. It is equally known that Alfonso Barrantes [Lima mayor] and those around him have comparatively more advantages than the independents and the moderate sectors. But you are no longer in control of 100 percent of the teachers because you must share this control with other parties. Your influence in the university has decreased, although it is perfectly obvious that recently your constituency has been growing. In your opinion, where is the social foundation of your party, which once upon a time was called the Red APRA, positively or derogatorily I am not sure?

Moreno: I do not believe that we could be called the Red APRA. Our red is a different kind of red. No left-wing party can be said to have total control of the sectors you have mentioned. The social movement has undergone too many changes lately for any of these parties to have political control. The influence exercised by union leaderships is frequently mistaken for true grassroots influence. This is a risky mistake. We are currently working to establish our presence among various social sectors and to stop relying mainly on the students. The

student movement is unstable, and many of the problems we have had were caused by the very instability of this movement. The teachers sector is very important in this country. It enabled us to gain nationwide influence, and it is a means of ideological dissemination with enormous potential. But we are also doing our best to improve our relations with the working class, which is our natural social ally, and we are also trying to organize a peasant movement.

For example, we recently held a congress of Cajamarca peasant militias that was very important as far as I am concerned. It was attended by 850 full delegates, who truly represented the rank and file. There were no manipulations, no impositions, the rank and file merely stated their preferences. We are moving forward and working according to a thesis that advocates the building of a political foundation, a solid foundation, rather than a shaky leadership.

LA REPUBLICA: Would you say that this now obvious historical need to establish a strong relationship with the social movement that has a structure of its own, unlike that of the political parties, will lead to changes in traditional Leninist concepts on party organization, democratic centralism, and the leading role a party must play?

Moreno: Not as far as basic principles are concerned. The thing is that sometimes the structures of other parties outside the country were copied almost to the last detail. We believe that democratic centralism is an essential rule of organization, but the manner in which it operates, the way in which problems must be solved, must take into account the circumstances and conditions prevailing in each country and the level attained by the revolution. Principles cannot be applied by the book, they are not a set pattern. In my opinion, the revolutionary process and the organization of a revolution is the most creative endeavor there is. There must be much initiative, much creativity, a sustained quest for new prospects in keeping with the prevailing conditions.

LA REPUBLICA: In your opinion, what are the most creative popular organizations that have come forth from the people in the last few years?

Moreno: I believe that there are three main ones: the peasant militia and other self-defense bodies that are self-governing organizations springing from the rank and file; then we have the defense fronts that wherever they have cropped up they have encompassed vast sectors of the population, but unfortunately their potential is being wasted; then we have new types of organizations such as Soviet-type popular assemblies, probably limited, sometimes different among themselves, but all of them making valuable contributions, in our opinion, to the development of the revolutionary movement in the country. Now, whether we will be able, and to what extent, to guide them in a given direction, how good will we be at gathering the positive factors and growing in that direction, that remains to be seen. That is the challenge.

LA REPUBLICA: I would like to go back to your underground experience. From this period we recall the most bitter struggle against the military government waged by SUTEP [Single Union of Education Workers of Peru]. What role did you play in that long strike that made the Morales Bermudez administration reel all over?

Moreno: The whole party played a role. Leaders like Horacio Zeballos and Cesar Barrera were openly and publicly at the head of that movement, and Comrade Hurtado was in charge of the movement's practical aspects. The party participated as a whole, and this movement actually set the course for many later struggles, because through this movement we accompanied something very important: the mobilization of the masses, not only after certain gains, and to make them understand their own potential, foster confidence in themselves, and help them overcome their fears, which were quite a few in those days.

What was the negative side of this from the point of view of the party? We failed to make this antidictatorial and vindictory movement rise to the appropriate political level. To some extent it got bogged down in its vindictory aspect and did not move any further.

LA REPUBLICA: As you well said, there is the economic approach, but isn't there also an electoral approach? Some critics of the electoral approach have drawn a curve showing that the growth of the left-wing constituency has been accompanied by a decline in the purchasing power of the workers, the highest point of the curve being just after the departure of the Belaunde's administration. What is the price in terms of support by masses that must be paid for participating in the elections?

Moreno: Of course there are parties that go too far. In a country like this one, where Congress has limited elbowroom, there are some who believe that the balance of power is measured in terms of votes and the number of congressional seats a party obtains. Our assessment of political strength is not based primarily on these factors. To us the main consideration is whether the party is able and capable of organizing and influencing the masses. That is why it is necessary to obtain the proper combination of congressional and field actions. For instance, we believe that the battlefield of the struggle between the IU and APRA is not in Congress, it is among the masses. Whoever gains political, ideological, and also union supremacy among the masses will be able to consolidate his political clout during the next administration.

LA REPUBLICA: Mr Moreno, I would like to touch upon a more current issue. What is the status of the discussion about the representativity of the IU National Executive Committee? Do you believe that there has been a change in the balance of power since the elections?

Moreno: In my opinion, the balance of power among organized groups within the IU has remained relatively stable since the elections. Perhaps the elections allowed us to make a more precise assessment of this power balance, but they did not determine it. Furthermore, we

believe that if we want to have a proper front, it should not be based on lesser or greater power but on projects, options, proposals. Unity itself must be sought along these guidelines. We have always opposed two kinds of struggles for power: the big ones that try to manipulate and devour the small and the small ones that want equal treatment at whatever the cost. We believe that unity is attained through a straightforward policy that should do its best to avoid throttling the initiative of others and restricting their elbowroom. I would say that a serious unitarian policy cannot be based on smothering our allies, but on helping them to gain strength so as to grow together. Why did we join forces in the first place? To become stronger.

LA REPUBLICA: Speaking of this unity, how far beyond the left does it go? I would also like to ask about something that seems indicative: Over the 30 minutes that we have been talking, you have not mentioned the world socialism. What kind of unity and what kind of socialism do you advocate?

Moreno: Nowadays the main tasks that must be tackled in this country are democratic and national problems. These issues constitute the axis of the IU's unity at this point. But at the same time, it is accepted within the IU that the final goal is socialism, that the natural objective of this movement is socialism, but no IU document describes the kind of socialism we have in mind or how this socialism will be built. This is something that has not been discussed so far. Furthermore, if we want unity we will have to leave aside all ideological disputes. Political aspects are more important now because if we direct our attention at ideological aspects, it would be impossible, for example, to reach a compromise with the very many Catholics we have in the IU. We are Marxist-Leninists, but we cannot force anyone to uphold our principles in order to join the IU. Therefore, in the IU we have put ideological problems aside, which does not mean that each party does not defend the positions it advocates. The exacerbation of ideological aspects in any front is bound to make it fall apart.

LA REPUBLICA: Going back to the issue of unity, is this decision to leave ideology aside for the time being and seek political progress a tactical attitude? Does it mean that the desire to work with the Christians of this country is not part of a long-term strategy?

Moreno: This is a long-term political decision. Even if we had socialism, our goal would be to unite at least 90 percent of the population, and most certainly this 90 percent is not going to be made up of communists alone. Nowadays, if we take stock of registered militants in all communist parties, I believe that we will find that they are less than 1 percent of the country's population. The IU at least means the chance of bringing together vast sectors that have something in common: they want an in-depth democratization, they want administrative decentralization, they want an anti-imperialist struggle, and most of them want socialism.

LA REPUBLICA: Speaking of socialism, what kind of socialism do you have in mind? I am asking you again because I would like to know whether your brand of socialism means that the state will own all means of production. Will there be any room for private property? What kind of freedom will there be?

Moreno: The economic aspect will require long-term development, it would take quite some time. I am unable at this point to say how long. There are bound to be small land owners, because the peasants cannot be forced to accept socialization. Our principles advocate free will, not imposition. As for the political side of the issue, we do not believe that socialism and democracy are incompatible. True socialism must have thoroughly democratic roots. One of the principles in our program is: "We want the people to be the only owners of the country." The party must never take the place of the masses in the building of socialism or in the reaping of its benefits. The party must lead, but it can never be a rider astride the masses. It must not get bogged down in bureaucracy, nor believe that it owns the state. The party must rather create all the necessary mechanisms to allow the people to gradually assume control of the state. The party leads it does not nor must it ever take the place of the masses, because if it does so the revolution could lose ground and meaning.

As for political freedom, if socialism can prove that it is capable of solving the problems, it will show that it is feasible and the only possible option, so why should it fear anything? If there is no debate, no discussion, no risks, no exchange of opinions, society becomes stagnant.

LA REPUBLICA: Does this imply pluralism, coexistence with other political parties and periodic elections?

Moreno: I believe that under socialism there will be more than one party. Which will those parties be? That will depend on the way the situation develops.

LA REPUBLICA: I would like to go back and address the situation of the country over these last 20 years. Your organization, as well as many other leftist organizations, assumed a strongly critical position toward General Velasco Alvarado's administration. However, a few years later many left-wing parties became staunch defenders of some of the reforms undertaken by his administration. For example, the agrarian reform, especially when it started to lose ground under Morales Bermudes or Belaunde, the educational reform that the teachers know all about, and also the industrial communes program. Looking back over those 15 years, what is your evaluation of this special phase in the history of the country?

Moreno: At the fifth congress we made a critical and self-critical assessment of this period. We did make certain mistakes. We described reforms undertaken by the administration as bourgeois, and I feel that facts have proven that these reforms had limitations which is why they

were unable to solve the country's problems, and this has been proven as well. But our mistake was the failure to understand that the Velasco Alvarado administration was to some extent at odds with imperialism and that certain reforms, regardless of their limitations, were valuable, that they contained certain elements that we should have taken into account and given them due value. We made a self-critical assessment of the situation and learned our lesson.

LA REPUBLICA: In keeping with the IU government program, what is your current attitude toward agrarian reform? What should be done in the rural areas to improve this reform that has been inherited in very a sorry state?

Moreno: I believe that the agrarian problem is the core of every debate throughout the country. Ever since the Constitution was promulgated, everyone has been talking about giving priority attention to agriculture. We agree that the agrarian problem is one of the main problems that have to be solved. Basically, the aspect of land ownership has been resolved in the past, but the situation in rural areas remains critical. From our point of view, the agrarian problem should be solved by taking the following steps: Every effort must be made to avert the rebirth of large estates; the cooperative system must be strengthened by improving its management and democratizing it; the problem of people owning land plots insufficient for subsistence has to be solved. On the other hand, without a true overall decentralization, it will be impossible to promote development in rural areas. In the third place, there must be a link between agriculture and industry, which calls for the development of energy sources in the country. Without power, without electricity it is impossible to develop the countryside. This country is not integrated, not even by roads, so all these problems must be overcome. Most probably the countryside is the main tool for coping with unemployment. It would be difficult to find a feasible solution through industrialization.

LA REPUBLICA: Going back to the assessment of administrations and people, what is your evaluation of Fernando Belaunde's 5-year administration?

Moreno: Belaunde's approach showed how a country can be destroyed. It demonstrated how far subordination to alien interests can go, and also the extent to which the protection of privileges can lead to a worsening of social conditions, unemployment and misery.

LA REPUBLICA: To what extent is the left of those days to blame for having voted for Belaunde in order to block the way to APRA?

Moreno: I believe that there is a bad tradition in this country, the so-called wasted vote, which is sometimes considered the lesser of evils. Perhaps this is the reason vast sectors of the population have no political commitment to any party or any specific program that they can carry out and support. These are practically shifting masses that may feel some sympathy toward given parties but they actually do not find them too different from others, and perhaps those others offer them some

temporary advantages, so they go ahead and vote for them. However, this part of the population has no proper political training, and I believe that this is one of the problems that must be solved.

I do not think that the true left has voted for Popular Action [AP]. What I believe is that there is a sector of the population that leans toward the left, but may have voted for the AP in order to block the way of the threat that they thought APRA stood for.

LA REPUBLICA: What is your assessment of President Alan Garcia, that is, Alan Garcia, the political leader? Does he constitute a change in the APRA that we have known all these years? Does his style of government have a different pattern? What does the future hold in store for him, according to you?

Moreno: I believe that Alan Garcia has updated APRA's style, he has made it more aggressive, more daring, and also somewhat unscrupulous, because his slogan is "Peru for all Peruvians," and that implies lying to everyone.

LA REPUBLICA: Does this mean that you do not believe that the modernization of APRA implies a radicalization as well?

Moreno: It remains to be seen whether it is an essential radicalization or a superficial one.

LA REPUBLICA: What is the difference, according to you?

Moreno: It is not a simple matter, APRA's radicalization has not led to a solution of the basic problems of this country. I have already said that APRA is addressing secondary problems, side issues. The main point is that thanks to the masses, the APRA has majority support to make changes, and APRA should lead them into a battle against the right. APRA's current dispute is with the left, because the current political field is divided between these two options.

LA REPUBLICA: Then a simplistic assessment would indicate that nowadays the masses have two options instead of just one.

Moreno: The masses did not vote for APRA's government program, but for Alan Garcia, and to some extent this happened in the left as well. What the masses want is an improvement over the situation prevailing in the past, but this does not mean that there are two options for a drastic, radical change in the country. From our viewpoint APRA's aspiration is at best to modernize capitalism while the left wants socialism for the country.

LA REPUBLICA: Is this second option epitomized by Alfonso Barrantes?

Moreno: We are trying to make the left and certainly its leaders epitomize this option.

LA REPUBLICA: Let us delve into this subject a bit more. What role has Alfonso Barrantes played within the IU and even earlier when together with many others he participated in the ARI [expansion unknown] drive for unity around 1980?

Moreno: I believe that Alfonso Barrantes has considerable personal clout in this process, but I am afraid that by overestimating the role that one's personality can play, the people are neglecting the clout of organized political groups. The people are failing to take into account the dynamics of the social movement and the factors that pave the way for unity. Within this framework and bearing in mind that the left is made up of many trends, several of which are the result of severe internal conflicts in the past, there was a need for a person capable of acting as an arbiter. We have arrived at that point.

From now on the main objective is no longer unity, but becoming an option and the leadership must be chosen on the basis of its ability to guide us in this direction. I am talking about group leadership, not individual leadership, because there is no point in arguing about individual leadership. I am talking about collective leadership. It is high time for us to foresake the caudillo approach. In fact, caudillos are repugnant to me, even if this word may be too strong. The tendency should be toward collective leaderships, without detriment to the role that each one of us may play as an individual.

/9604

CSO: 3348/186

FIRST 3 MONTHS OF GARCIA PRESIDENCY EVALUATED

Economic Accomplishments, Difficulties

Lima QUEHACER in Spanish Oct/Nov 85 pp 10-13, 16, 18-21, 24

[Article by Javier Iguiniz; passages enclosed in slantlines printed in boldface]

[Text] I. Introduction: Growth with Sovereignty?

Since 28 July, Peru has been clearly dominated by politics. The economy is still, above all else, the area in which politicking takes place; it is the main topic of speeches the justification for strategic postures. Food is the topic of the day.

Short-term economic policy aims at coming somewhere near discourse, and the latter in turn ennobles economic policy by relating small measures to the larger directions of President Garcia's radical redistribution plan.

For the time being, the political offensive is contributing to economic efficacy; many businessmen have accepted economic measures such as the price freeze while they are sizing up Alan Garcia, determining what issues will win them his ear, and negotiating concessions. The state is already strong in Peru, and they still find it unlikely that the radical anti-rich, anti-Lima, anti-industry and anti-monopoly rhetoric will translate into such negative deeds.

The concern among these sectors is growing, however; since the electoral victory, the message in favor of the poorest has become more radical, and the political campaign continues. On the other hand, the government's desire for economic reactivation and the financial concessions that have been made reveal a genuine concern about their earnings. The institutional order is not in jeopardy, as it was under Gen Velasco. But who will pay the cost of meeting the poor's needs? In the first 80 days, the time to define terms has not yet arrived. The 1986 budget will be the first round of the real fight.

As the weeks go by, however, the economy is already beginning to be the arena for testing the sincerity and soundness of political rhetoric. In Peru, intentions are not enough to garner active support. Little by little,

economic effectiveness is emerging as an evaluative criterion after the clamorous political impact of the battle against drug trafficking, police corruption, the International Monetary Fund (IMF), etc., etc.

In fact, the government has turned the economy into a proving ground for political efficacy. The success or failure of the political stance against the IMF, the United States and the creditors depends on the ability to reactivate the productive apparatus without generating losses in the level of Net International Reserves and without being forced to resort to additional external financing.

The political position in favor of democracy has a highly economic content, because it is expressed in the redistribution and decentralization program that was the centerpiece of the campaign. In short, it amounts to adding bread to freedom.

Growth with redistribution, but /growth with sovereignty/ and /redistribution with democracy/ are the economic-political criteria that the election campaign of the two principal political organizations placed on the agenda. The results of the election constitute a clear and unquestionable endorsement of those criteria, and Alan García's task is to carry them out.

Is the government moving in that direction? We will first describe the immediate circumstances under which the new government has inherited the economy, the first package of measures and the results that can be discerned with the information available at this time. Then we will sum up the second package of measures, and in a brief third section we will explain the short-term options that await in the immediate future.

II. The First 60 Days: Inconclusive Anti-Inflation Battle

28 July: Neither Far from nor on the Verge of the Abyss

The circumstances under which the new government has inherited the Peruvian economy were undoubtedly much worse than those prevailing when President Belaunde inherited it. No export boom has taken place in the preceding years, and the outlook for external financing has grown much worse. In addition, the prices of our principal exports are at extremely low levels. There is therefore little leeway for maneuvering in the short term, but at least there is some.

It is interesting that the new government has attributed so little importance to the economy it has taken over. Clearly its vision of the future and its desire to try new paths take precedence over the search for culprits in the past. Nevertheless, it is also true that the new government has been given something of a headstart in the short term. The primary reason does not lie in the favorable conditions of the world market; rather, it can be found in the severe recession in the Peruvian economy and the drastic adjustments made by the outgoing administration. Moreover, it is possible that the available foreign exchange can be reallocated to a certain extent, which adds some measure of freedom.

The level of Net International Reserves as of 31 July was equivalent to about half of one year's imports, which provides some respite. The Balance of Trade showed a surplus at mid-year, after the severe cutback in imports, and that also alleviates the situation a little.

Furthermore, the economy has been undergoing devaluations higher than the rate of inflation for most of the period between 1980 and 1985, so there is no urgent need to devalue the currency or any call for entirely strict controls on imports of goods. The official devaluation between July 1980 and August 1985 amounts to 31.2 percent higher than the relative rate of inflation in Peru, with respect to our principal trading partners.

In contrast to this foundation of economic health that was "conquered" between 1983 and 1985, at the expense of poverty among the people, we find declining international prices. The buying power of traditional exports was 82.9 in the final quarter of 1984 (1977 = 100); it fell to 80.2 in the second quarter of 1985, and then to 76.4, 74.9, and 73.8 between July and September. Copper, silver, zinc, fishmeal and coffee prices have been plummeting continuously since July.

Similarly, the loans negotiated in 1984 and 1985 were for very small amounts, which reduces the immediate prospects for new disbursements. In the fiscal sphere, the adjustment in spending has been significant, although this excludes the major impact of the decision to pay a small portion of the foreign debt services. Between 1984 and 1985, remunerations fell from 3.7 percent of the GDP to approximately 3.0 percent, according to the end-of-year projection the government is currently working with. Current spending on national security has fallen from 5.6 percent of the GDP to 4.0 percent; capital spending went from 4.0 to 2.9 percent. All this points to the existence of a typical policy of cutting domestic public spending.

But the most substantial reduction is the servicing of the foreign debt. Principal payments dropped from 7.6 percent of the GDP to 1.4 percent, while interest payments shrank from 5.5 to 1.3 percent. Of the central government spending cuts between 1984 and 1985, which amount to an incredible 14.4 percent of the GDP, 10.6 percent corresponds to the non-payment "policy."

On the revenues side, the most positive aspect has its own problems. Still using the projected figures for 1985, we see that the tax burden rose from 13.6 percent of the GDP in 1984 to 15.3 percent in 1985, but the change is due to the greater weight of indirect taxes, specifically the tax on fuels, which went from 3 percent to 5 percent of the GDP.

In short, from the standpoint of the immediate period, the economy inherited by this government has a little room for maneuvering, especially if the goal is to reactivate the economy without altering political objectives or the sources of conventional resources. How has this leeway been utilized so far?

First Short-Term Measures: Wavering Break

The presentation by Economy Minister and Council of Ministers President Luis Alva Castro in early August set the tone of the official approach. In his

diagnosis, inflation is characterized as a recessive factor derived from "cost pressure," in contrast to the orthodox theory that inflation stems from "excess demand." This opens up the possibility of a reduction of inflation without limiting the buying power of the country's workers, a key point in the IMF prescription.

But firmness and ambivalence combine when it comes time to specify measures. On the one hand, approaching the inflation problem from the cost standpoint translates into a reduction of financial costs by drastically lowering interest rates. This would allow a differential increase in wages of an average 18 percent. To that point, the government's conceptual autonomy with respect to the IMF prevails, although the two focuses are not necessarily incompatible.

Simultaneously, however, there is no similar theoretical independence with regard to the fiscal problem. There are still coexisting points of view that accept at face value the role played by the budget deficit in fueling inflation. Since in any case it was not necessary to begin the government by cutting spending, the measures raise the prices controlled by the government, including not only fuels but also electricity, water, etc.

Finally, there is also insecurity about the exchange rate, and because a decision has been made to raise the prices of fuels and other controlled items, as well as wages, a 12 percent devaluation is scheduled before the freeze. The small amount seems to be attributable to the fear of accelerating inflation.

The program thus manages to satisfy both the orthodox and the heterodox theories. For the former, prices and rates have been raised in the public sector, and the currency has been devalued; for the latter, the wages of the poorest have been hiked, and some of the recommendations by the IMF have been ignored. For industrialists, their financial costs have been reduced, alleviating a serious problem that has plagued them daily; and for everyone, the price freeze is clearly a favorable initiative. The echoes of rising Argentine unemployment under Alfonsín's anti-inflation policy have not reached Peru, and the price freeze has become an unquestionable priority.

One decisive element in these measures has been the devaluation. Freezing the exchange rate for an indefinite period accelerates the de-dollarization process that had been taking place since the previous quarter. This is so even though the existence of the new financial market raises doubts about the real desire to freeze the exchange rate. The fear of excess liquidity in national currency, derived from the conversion of dollars to soles, led the Central Bank to raise the marginal reserve requirement drastically to 75 percent. This limits banks' ability to extend new credit to businesses (see box on interest rates), because for every new sol the banks receive on deposit, 75 centavos must be frozen in the Central Reserve Bank (BCR). Moreover, to reinforce the law with incentives, a high premium is established for banks that decide to freeze their depositors' money in the BCR instead of lending it to businesses. While the banks could loan money to their customers at a maximum interest rate of 75 percent, they could obtain almost the same interest rate by placing the money in the BCR and avoiding the risk that

lending involves in these times. As a result of all the above, the deposits by commercial banks in the BCR grew from 1.26 trillion soles to 4.93 trillion soles between the end of July and 15 September.

Results: Deflation with Recession?

A variety of indicators suggest the recessive nature of the measures adopted. Nonetheless, and beginning at the point where the most reliable statistics are available, it must be pointed out that the reduction in inflation has been significant. Prices went up by 10.8 percent in August, and just 3.5 percent in September. The National Institute of Statistics has just issued the report on prices for the first week of October, and that indicates that prices "rose by 2.0 percent over the average level for the past month of September."

Trends in production are still less clear, due to the lack of updated information. General sales tax collections in August, however, showed a significant decline in real terms of 30 percent. This indicator is disturbing by itself because of its implications for immediate trends in demand.

An indicator that is usually related to the level of production, credit extended to the private sector, did not change significantly with respect to the restrictive tendency it showed in the months previous to this administration. In June, real credit to the private sector shrank by 8.5 percent; in July the figure was -0.5 percent, while August's was -3.4 percent. The first and second weeks of September continued that restrictive trend, with respective figures of -0.8 percent and -0.7 percent. In this regard, it can be asserted that the emergency policy has had no special impact on the negative developments in the area of credit.

In this connection, during the first 2 months resources have not been transferred from the speculative sphere to the productive sphere. The greater availability of financial resources in national currency in banks was channeled toward the BCR, and not toward the reactivation, due to the aforementioned incentives and regulations.

The most recently developed recessive factor would be the drawdown of inventories, which resulted from the drastic cut in inflation. The normal effect of this development is to reduce manufacturers' orders, which leads to lower production and a lower level of employment. Economy and Finance Ministry officials estimated that this reduction of inventories would last up to 3 months. If so, the likelihood of a recessive, unemployment-generating effect is obvious, as is the need to counteract it.

In hypothetical terms, this unemployment could already have counteracted, at least partially, the favorable impact of the wage increase measure, and the desired anti-inflationary reactivation would not then take place.

Another factor militating against recovery seems to have been the adverse impact of the measures on small and medium businesses. Small and medium businesses do not have much access to bank credit because of the restrictions imposed in recent years, and thus would benefit less from the reduction in interest rates. They have, however, suffered from increases in other costs.

Given the current slump in demand, they would have been forced to cut back on employment and/or postpone granting the pay raises proposed by the government.

On the other hand, the upsurge in controlled prices was not taken into consideration sufficiently in the production cost estimates, especially in the case of sectors that make intensive use of hydrocarbons, electricity, water and other inputs whose prices went up considerably.

If the aim was to prove that it was possible to achieve stabilization without recession, then it was imperative to reactivate production; the inherited circumstances did not demand a decline, and it would have been a political blow to the government to accept recession as a condition for curbing inflation. Alan Garcia would not have been satisfied with the success against inflation, although that would already imply progress with respect to the inflationary recessions promoted by the IMF. A new package was necessary.

III. The New Package: Cautious Reactivation

In view of the initial evidence that the production situation was growing worse, a second package of measures has been designed and implemented. We may say that it includes the last interest rate reduction that was announced previously.

The desire to reactivate is clear, and it is manifested in a variety of forms. We will classify the measures into different subgroups.

a) Enhancing Domestic Demand through Consumption

The recent measures generally tend to boost consumption. This is expressed primarily in the 4 percent increase in income from wages, which was later modified slightly in the decision to grant administrative loans to workers in the public sector and the large-scale employment program. Together, they could raise consumption by more than 1 trillion soles. The increased demand will also be achieved, though more slowly, by replacing external purchases with domestic ones in a process that will not be very drastic in the short run. Public sector purchases, import bans and the hike in imported liquor prices would also point in that direction. The short-term impact is not as clear as in the aforementioned measures. The difference between this and the first package lies in the fact that these increases in demand do not affect the private business sector, which raises the latter's profitability.

The overall impact is not expected to be very great, since part of it consists of changing who does the spending; the state's income is reduced and the wage-earner's is raised. Another part of the increased demand is only temporary, because the administrative loans must be paid back. If the increase in consumption were 1 trillion soles in the last quarter of this year, that would be equivalent to a growth of about 3 percent.

b) Boost Profitability of Production

The government has deemed it necessary to raise exporters' profits in order to stimulate both non-traditional and traditional exports. In this regard, the

amount of returns from exports that can be cashed at a higher exchange rate on the financial market has been raised from 15 to 20 percent, and 5 percent of income from traditional exports may be cashed in on that same market rather than the official market, the selective agrarian Export Certificate (CERTEX), and the CERTEX that complements products with a high national value-added or labor-intensive products.

In the specific case of fishing, profits increase as the cost of investing in imported fixed capital declines. The most immediate impact will be manifested in the process of replacing equipment and tools.

The mechanism establishing the so-called "fourth shift," which will be implemented with a special labor system that includes the payment of wages in kind, seems to be aimed primarily at the textile exports sector. It remains to be seen whether this mechanism creates more jobs or represents an attack on the labor rights already won by workers.

In the case of production predominantly for the domestic market, most of the profits not arising out of the reduction in interest rates are concentrated in a handful of activities. In the first place, the agriculture sector is exempt "from customs duties, the general sales tax, and the selective excise tax on imported machinery, equipment and tools that are used exclusively in agriculture and livestock and are not produced in the country." Moreover, preferential interest rates are established for the credit granted by the Agrarian Bank.

Outside of agriculture, the specific area where import costs are reduced is the iron and steel and fertilizer industries (Cachimayo).

It should be recalled that the latest reduction in interest rates has not been accompanied by increases in other costs in the industrial sector, including wage costs. In fact, this reduction, along with the aforementioned demand incentives, is in response to the complaints of industrialists about the effects of the first package of measures.

c) Increase in Availability of Credit

There is a long list of measures aimed at providing credit to public and private enterprises. The \$25 million credit line extended by the Andean Development Corporation (CAF) to the Financial Development Corporation (COFIDE) (equivalent to about 350 billion soles) and the authorization to transfer funds from the state to the Development Bank as a capital infusion designed to provide national funding to open up access to 140 billion soles in external lines of credit, are among the most important of these measures.

But the list is long, and several measures seek to bring about selective effects on non-traditional exports, peasant communities, the mountains, public investment projects, and fishing.

d) Increase in Availability of Foreign Exchange

The need to obtain and save foreign exchange to support the recovery has also been considered. The suspension of foreign remittances of foreign exchange earnings on petroleum is perhaps a small step along the way to keeping these earnings in the country for good. Last year \$422 million left the country in this form (including services), which was 13.6 percent of total export earnings. This year, nearly \$400 million has been sent abroad.

The ban on imports has been officially estimated to yield a savings of \$140 million a year.

The impact of the stimulation of non-traditional and traditional exports by increasing their profitability and/or competitiveness will depend on how aggressive we are in the commercial area.

Changing from foreign suppliers to national ones for certain goods purchased by the state should yield some effect, although not so immediate.

In contrast, the imports subject to incentives are primarily capital goods for agriculture and fishing.

Finally, the announcement of a stable exchange rate will cause more owners of certificates in dollars to sell them, which will expand the country's net reserves.

e) Cut in Inflation

The anti-inflation policy has been ratified, although social pressure through propaganda has strangely and ostensibly been reduced. The announcement of a stable exchange rate will have a tendency to reduce inflationary expectations, and the reduction of financial costs will tend to diminish cost pressures. The reduction of the general sales tax on various goods and the lower price of kerosene will have the same effect. However, cutting costs without persistent price controls will translate into higher business profits, a worsening of inflation and the neutralization of the recovery.

f) Stabilization of Fiscal Accounts with Reactivation

A good part of the above measures require significant public financing. In the first package, there were doubts about the nature of fiscal measures, and as we indicated earlier, a conservative outlook was adopted. This time, however, officials have gambled that the increased tax collections generated by the recovery will offset the higher spending undertaken to promote that recovery. It is well known that recessive policies are a very bad way to balance the fiscal accounts, in that they cut substantially into the central government's revenues.

The fiscal cost estimated for this quarter is 350 billion soles, and according to the government's projections, it will result in a deficit of 0.4 percent of the GDP. If this is true, by the end of the year the public sector deficit will be above 6 percent of the GDP, counting the 3.9 percent already recorded

in the first half of the year for the central government and the 1.3 percent corresponding to public enterprises and other institutions. The government estimates optimistically that these figures will decline with the lower foreign debt payments and other measures, which would yield a public deficit lower than 3 percent of the GDP.

g) Planting for the Future Now: Investment

The main emphasis of the package is on the short term. The redistribution plan of Alan Garcia's administration has still not taken on a definite shape. As we indicated earlier, the only indication of the redistribution program that lies at the base of the income distribution pyramid is a few signs whose meaning depends entirely on the proposals that will be detailed in the national budget for 1986 and in the system of incentives and differential controls that is established to restructure the industrial sector. For the time being, the recovery program is a "run of the mill" one, with certain subtle differences.

Among these differences, the most noteworthy are: the regional perspective of the development program for the emergency zone (84 billion soles) and the microregional development program (65 billion soles); and the sectorial orientation of the purchase and repair of fishing vessels by the Public Enterprise for Fishing Services (EPSEP) (\$4.9 million) and the authorization of the sale of two vessels to EPSEP (10 billion soles). In addition, we must note the favorable interest rates established for the food-producing agriculture sector of the mountainous region.

As for industry, the accent has been placed on non-traditional exports, as we have pointed out.

h) Search for Resources: Domestic Debt

The new package includes some mechanisms oriented toward the attraction of financial resources which should complement those obtained through the recovery itself. The creation of the Development Deposits Certificate, which will pay a maximum rate of 35 percent, and the mandatory purchase of National Development Treasury Bonds by banking, financial, insurance and large-scale mining companies, introduce a guideline whose significance has yet to be determined. Is it a matter of resorting to domestic indebtedness by the government as a voluntary and/or mandatory mechanism for savings? Is it a complement to taxation, or a replacement of it? Let us recall that the first phase of the military government renounced taxation, replacing it with domestic indebtedness. In the longer run, this alternative will have a substantial influence on the relationship between the state and the capitalist sector of the economy.

In any event, if businesses have enough liquidity, the Treasury Bonds will be in a position to back the program with some 200 billion soles.

The stimulative nature of the package is undeniable, but timid. Its effectiveness depends on several factors, including public spending capacity, which will limit the practical significance of some measures and the

development of inflation. If inflation rises, it will outpace the buying power of wages and neutralize the gains that have been made.

During the last few weeks, price controls have been relaxed and the "lack of discipline" among producers and merchants has grown, to the consternation of consumers.

Perhaps the option lies in achieving a partial reactivation, with an also partial deflation. Is that a strategy, or is it vacillation or wavering?

IV. Reactivation: Political Decision

The economic reactivation demands that imports of inputs be boosted, and maintaining the bargaining power needed to develop a different policy than that imposed by the IMF implies keeping a good "cushion" of international reserves. What are the chances of achieving both of these apparently contradictory conditions?

In the short term, foreign exchange to boost imports without substantially cutting into reserves can be obtained from the following sources: 1) about \$1 billion in certificates in foreign currency that have not been converted into soles; 2) the reduction of the interest payments on the foreign debt, which amounted to US \$303 million for the public sector in 1984; 3) the cutback in the remittance of profits and services by foreign oil companies (which amounted to \$422 million in 1984, or 13.6 percent of what was received from exports that year) and non-oil companies (which totaled \$262 million, or 8.4 percent), the two figures amounting to a total of 22 percent of exports; 4) a decrease in the surplus in the balance of trade, which was \$1.398 billion for the exchange balance last year. The surplus amounted to 45 percent of the value received for exports. How much of that surplus is useful for the recovery will depend on the policy on the debt and the remittance of profits. The higher the payments, the smaller the available margins.

These four sources of funds can ensure a relatively rapid recovery if the productive use of imports is subjected to a modicum of control and if excess reporting of imports, always a temptation under these circumstances, is prevented.

For the above reasons, we can assert that reactivation is an eminently political decision, since it involves confronting foreign creditors and foreign productive capital.

But the reactivation also depends on reducing the coefficient of imports, that is, the increase in imports that is necessary to bring up production. In this area, the most immediate actions revolve around the following factors: 1) the ban of certain superfluous imports, considering the urgent needs of the moment (something that is beginning to happen); 2) the reduction and/or prohibition of imports of capital goods whose use can be postponed in view of the existence of idle installed capacity; 3) selective reactivation and the curbing of imports of inputs for non-priority industries; 4) the reactivation of Peruvian society "from the bottom up" to cut down the imported component of

the new investment by concentrating on activities that make less intensive use of machinery.

The two latter options also assume a firm political will, because they imply beginning a structural transformation right now. So far only the simplest tasks have been undertaken. Making progress in this field is not a question of gradual measures, because decisions must be made to confront groups in power that will not give up economic privileges for the sake of national development and the well-being of "those below."

Conclusion: Redistribution with Democracy?

Reactivation with sovereignty means redistribution with democracy. Growth without redistribution is still compatible with the continuation of old economic policies and with subordination to capital, foreign capital in particular. Growth with redistribution involves putting the current social order to the test, and in our opinion, providing evidence of that system's inability to deal with the problem of poverty among the people quickly enough.

The people themselves must create their own well-being in order for it to be effective, and decision-making must be democratized, from local levels to the top. An immediate reactivation that paves the way to another model of development must be based on a democratic, non-bureaucratic redistribution, on the organized deployment of the people to the tasks of their own development. This particular aspect of the economic problem seems to be the biggest difficulty facing the current government.

10 Percent Policy Effects

Lima QUEHACER in Spanish Oct/Nov 85 pp 22-23

[Article by Humberto Campodonico]

[Text] The proposal by Alan Garcia's government to limit the payment of the foreign public debt to 10 percent of exports has been in the limelight of national and international public attention in recent weeks. Leaving aside for a moment the discussion of "whether it is good or bad," we thought it would be an interesting exercise to try to predict what would happen in 1986 if the 10 percent formula were applied.

In the first place, to simplify matters we have assumed that all that was owed for 1984 and 1985 (principal and interest both) is "refinanced" and postponed to future years. Thus, we enter 1986 with a clean slate.

According to figures provided by the current government, Peru's exports and imports for 1986 will amount to US \$3.342 billion and \$2.419 billion, respectively. This means that the balance of trade surplus will total US \$923 million (see chart).

Traditionally, other major sources of foreign exchange have been the multilateral banks, private banks, and the governments of developed countries.

In the last few years, however, the trend has been reversed: The Latin American countries have been exporting capital to the industrialized economies, and Peru has been no exception to this rule.

Thus, the rate of disbursements of loans to the public sector in 1985, for example, will not exceed US \$200 million, and the same can be expected for 1986. As for foreign investment and the loans from private banks, they have practically dried up at this time.

Therefore, in the best-case scenario, we might have just over US \$1.1 billion in foreign exchange, stemming from the balance of trade surplus and the outlays for the public sector.

What must be paid for with that US \$1.1 billion?

--On the one hand, there are the remittances abroad by oil companies (OXY, Belco and OXY-Bridas) and mining companies (Southern) in the form of profits, depreciation, payment for services abroad, loan interest, etc. This amount reached US \$258 million in the first 6 months of 1985. If we project that to an annual figure (omitting for the moment the rescission of the oil contracts), we find that the drain of foreign exchange resulting from these transactions totals US \$516 million.

--Moreover, we have the remittances abroad of foreign companies such as Bayer, Coca-Cola, Carnation, etc. All told, the remittances just of these companies' profits reached US \$163 million in 1984. The amount is expected to be the same in 1985, and we assume the same for 1986 in our calculations.

--Therefore, the total of remittances abroad by foreign companies is US \$680 million. If we subtract that amount from the sum of the balance of trade foreign exchange plus outlays (US \$1.123 billion), we come out with US \$443 million.

Of that US \$443 million, US \$335 million (10 percent of 1986 exports) will have to be earmarked to pay the foreign debt, which would leave us with just US \$108 million. And that does not count the fact that the BCR debt and the long-term private debt have not yet been paid.

The debt that would have to be paid in 1986 totals US \$2.115 billion. But since only US \$335 million (10 percent) would actually be paid, US \$1.780 would remain unpaid. People are commenting in the halls of the Economy Ministry that the representatives of the different private banks and creditor governments are "lining up" to make appointments with officials in order to ensure that they are included among the "lucky ones" who get part of the 10 percent quota. For the government, however, the priorities have already been set: first the multilateral agencies (World Bank, Inter-American Development Bank), then the creditor governments, and finally the private bank creditors.

There's more: The 10 percent includes the debt to the socialist countries. It is well known that part of that debt was to be paid with Peruvian products. But since the "quota" of that debt has to "fit" within the 10 percent, orders

submitted to Peruvian industry for the payment of the debt will decline. On this side, at least, the expected "reactivation effect" will not take place.

The 10 percent does not include the BCR debt, nor the long-term private debt. As officials of the current administration stated in a recent meeting, this debt will be paid with the funds generated by private enterprise and the BCR itself. If is so, then all together, the interest alone will amount to nearly US \$280 million, which is equivalent to 8 percent of exports. As we have seen, we have only US \$108 million left.

If we consider that an economic recovery would immediately boost imports (it is estimated that for every point of increase in the GDP we have a 20 percent rise in imports, according to the BCR study "Prospects for the Foreign Sector 1985-89"), then the external "bottleneck" would become a fundamental restriction that would throw APRA's current proposal out of kilter.

What we are trying to show is that the "reactivation model" itself cannot be maintained with the current structure of property ownership and indebtedness that is affecting the balance of services, in other words, the remittances of profits by foreign companies and also, apparently, the interest payments on the foreign debt (public, BCR and private alike).

What are the solutions? We might consider, for example, the complete rescission of the oil contracts, which would yield a net savings of at least US \$300 million a year. We could also consider appropriating the profits of the foreign firms. The point is that APRA's model is not viable if the oil companies and the remittance of profits by the transnationals are not affected in some way.

To be sure, the government could also aim at a multiannual "overall refinancing" of the foreign debt with its creditors to "alleviate the service" and allow for economic recovery plans. But doesn't the "reactivation" completely contradict the adjustment recommendations of the IMF and the international private banks?

Net Flow of Peru's Foreign Exchange 1980
(In Billions of Dollars)

Exports	3.342
Imports	-2.419
Balance of Trade	0.923
Public Debt Outlays	0.200
Available Foreign Exchange	1.123
Oil and Mining Remittances	-0.516
Remittances by Other Foreign Companies	-0.164
Available Foreign Exchange after Remittances	0.443
Foreign Public Debt Payments (10 Percent)	-0.330
Available Foreign Exchange after 10 Percent Payment	0.108
Payment of BCR and Long-Term Private Debts	-0.280
"Ceiling" on Higher Imports for Economic Recovery	-0.172

Garcia's Political Style

Lima QUEHACER in Spanish Oct/Nov 85 pp 26-27

[Article by Victor Hurtado]

[Text] Everyone knows that Dr Alan Garcia is the foremost power in the nation. If this preeminence arises out of the ability to make laws, His Excellency deserves it. In the last 90 days, he has drafted every piece of legislation except one, and has made Congress one of the soundest of the protected institutions in the nation. Perhaps for this reason Dr Garcia is a man of extraordinary powers.

Nevertheless, the official power of the president is not a sum total of formalities. It emerges before that, in reality. His strength derives from the tremendous social backing that put him in office, support which he has been able to keep nearly intact. He is a leader by national consensus: His followers think no one else is better; his adversaries, that no one else is possible.

There is talk of the president's authoritarian style, but so far that is just an internal problem, an imperial style that the chief of state obliges his cabinet and the majority delegation in Parliament to tolerate. The external front is different, however. In society's view, Dr Garcia needs no authoritarian image. Against whom could he exercise it, if the experts in the economic, political or parliamentary opposition have been unable to find any issues around which a single current of opinion could rally?

Furthermore, Dr Garcia is not an easy adversary to contend with. His opponents can advance only when he stands still. United Left (IU) knows that; in the last 3 months, IU has been able to move a few steps forward on just two occasions: when the Accomarca massacre was discovered, and when the settlers were brutally evicted from Garagay. Until then the government had taken no action in the areas of human rights and housing. But Dr Garcia had merely to perceive that his image was being tarnished on those fronts, and an immediate reaction was forthcoming. He fired three generals, named a peace commission, and sent a bill to Congress to allow for the expropriation of vacant urban lands. Within a few days, the president had won back the lost ground and regained the initiative.

His Excellency's style combines authority with activism. He and he alone is the symbol of power. He speaks at the United Nations; he visits pharmacies; he wields military power; he lunches on "kiwicha" and "Alan bread"--an informal eucharist that the president wants to establish with the most impoverished. Today a premier like Ulloa would be unthinkable. Except for the foreign minister, who seems to be a brain, the other ministers are gray matter.

It is unfair to attribute that conduct to infantile narcissism, however. The president's activism stems from the fact that his staff really does not deserve his confidence. He who lacks confidence in others is hardly likely to delegate major responsibilities to them. And that uncertainty arises out of

the tremendous "gap" between Dr Garcia and the APRA leaders, who regard the theory of dependency as a scientific study of public institutions.

Dr Garcia's isolation determines his behavior and reinforces his natural tendency toward voluntarism. Like Mao, he wants to "put politics in command" and govern the economy. During these 90 days, however, urgency has always been attenuated by pragmatism and compromise. The anti-corruption campaign has not affected the smuggling activities discovered in the Navy; the investigations arising out of Accomarca were cut off at a 2nd lieutenant; no official was able to convince the bankers to reveal their secret payrolls. It is difficult to maintain, then, that we are witnessing a case of messianism. Messianism is basically irrational, the furthest thing from cold, political calculation.

Dr Garcia presents a textbook example of an optical illusion. The excesses of his personality, his ubiquity, his overwhelming initiative, all lead to the conclusion that the man makes the circumstances. Such is not the case, however. At the end of the Belaunde administration, the majority of the nation was demanding substantial changes not only in programs, but also in styles of government. Of all the candidates, only Alan Garcia was able to satisfy these demands, since the other opposition candidate was dangerously similar to the outgoing leader in his methods.

The trend toward what Julio Cotler has called "change with order" ran into Dr Garcia along the way, and from the moment of that encounter, nothing and no one could have prevented Alan Garcia from becoming the symbol of a social mood.

The problem with all of this is that it is a marriage of convenience. The president has imposed a style, a pace and a tension that are hard to maintain. The strength and durability of a caudillo lie in his constant activity, and every decision he makes must be as spectacular as the last one, or more so.

Herein lies the principal contradiction of Dr Garcia's style: It raises hopes among the poor masses that will be increasingly difficult to negotiate. In part, those who invaded the Garagay estate did so because they interpreted in their own way the social justice preached by His Excellency.

In the long run, the leader must make a choice. Sometimes he tends to opt for the riot police and the burned snacks. The more charismatic the leader, the more blame will be heaped on him, because the citizens regard him as the only center of decision-making.

No one can remain a pragmatic leader for very long in a country of starving people.

Political, International Policies

Lima QUEHACER in Spanish Oct/Nov 85 pp 28-34

[Article by Henry Pease Garcia]

[Text] It appears that the country is moving not just at a different pace, but down a path that could lead us away from the catastrophe. If anything characterizes the initial months of the Alan Garcia administration, which contrasts sharply with that of the architect who preceded him, it is the fact that Peru seems to be turning inward, and the government is trying to direct and chart a course instead of casting the ship of state adrift.

The president has appealed openly to the nationalist sentiments of our people on several occasions: After hearing his speeches on the foreign debt or the oil contracts, many of us have felt that Peru was once again becoming more than a land that is occupied by us but is always controlled by foreign capital. In the last 10 years, have we had anything consistent, anything of our own to say to the international community, as has been done at the UN this time?

In the anti-inflationary voluntarism expressed in the economic policy; in the initial successes in the battle against drug trafficking or the advances against corruption, including the reorganization of the police, a very broad consensus has been achieved. Obviously, the government's economic plan has not yet been well defined, and in other areas only an initial impulse has been given. But who can deny that enthusiasm is growing?

In seeing the president's decisive action in response to the discovery of new crimes perpetrated by the military, which were acknowledged this time thanks to the president's change in attitude, we have realized that the Armed Forces will not longer be treated as a state within a state; that it may be possible to achieve effective civilian leadership during this term; and that the anti-subversion strategies pursued against Shining Path may be reconsidered. This and the Peace Commission, despite the repeated horrors of each discovery, constitute a light at the end of the tunnel into which Belaunde and his cronies led the nation due to their inability to grasp Peru's social situation, their mechanical and insubstantial reaction to the Shining Path subversion, and their fly-by-night liberalism that exhibited so little compassion for the real nation.

Looking at the present government, it is impossible not to remark that Alan Garcia's first and greatest possibility lies in the contrast between him and his predecessor; we sank so low that now the merest hint of an alternative is enough to open the floodgates of hope. The president started off on the right foot (the left foot, to be sure), and many different sectors are satisfied. Now it is up to him to move on from a consensus by contrast to a consensus derived from results. There is no doubt, from our own political position, that we want this government not to fail. The country, especially the poorest Peruvians, could not withstand failure.

Recognizing this situation on the basis of the Peru it inherited and the first steps it has taken does not mean that from the very beginning the APRA government has been free of limitations and unanswered questions. Another contribution it has made is to begin to show us how to make criticism a means of valid communication in Peru.

Different Style

Alan Garcia shows a different style. It is not just his dynamism, but also his exclusive and excluding activism, his ability to distance himself from the mistakes of his allies, and particularly his emphasis on direct communication with the people, with his "balconazos" [balcony appearances], his intensive trips, his visits, etc. All day long the president is "politicking" in the sense of hammering out compromises, becoming the principal communicator, establishing an image that will cover the entire government. This is a major innovation, if we recall that for the military engaging in politics was a bureaucratic act of governing, and for Belaunde it appeared to be identified with observing protocol, subjecting us to geography lectures, and spouting empty cliches.

But let us not confuse style with policy. The "balconazos" do not replace a policy to deal with the masses, nor do some well-publicized meetings with workers fill the need for an effective agreement with the workers' federations and the organizations that represent the people. Presidential activism also bears its risks, and such gestures to the masses should never replace the dynamic of those organizations themselves, or scrupulous respect for their autonomy. We realized this when we witnessed the formation of "Social Development Committees," which were imposed bureaucratically by an organization at the Palace whose executive officer was no less than the national secretary for organization of APRA; when we saw that in several shantytowns such committees were set up by the local agencies of that party, to be formally installed later in the presence of ministers and members of Parliament. If we look at precedents in recent history in which the state apparatus overstepped its bounds with respect to the organizations of the people, even in corporate projects, we cannot but warn of a dangerous course. Because this trend is incipient and open, however, we prefer not to attach the corresponding label to it.

Anti-Corruption and Reorganization

The successes in the battle against drug trafficking and in the efforts to fight corruption are particularly important. With regard to the former, we still wonder how the big fish and the large facilities were netted so quickly. The question is valid, because there is so much to grapple with that we must expect the government to continue meeting the high standards it set for itself in its first accomplishments. Fighting corruption in this vast bureaucracy requires citizen participation, from the bottom up, as this is the only means of supervision capable of extending the real scope of a government, no matter how powerful it feels in the beginning. Not only has no progress been made in this direction, which is also creative and difficult, but we have reason to believe that in the reorganization of the police mistakes have already been committed that are not simply isolated incidents. In this connection, we

must once again ask whether the goal is to moralize and modernize, or simply to replace personnel in the upper echelon with officials who will docilely follow the dictates of the ruling party.

Anti-Inflationary Voluntarism

The government was wise in placing all its political resources at the service of the anti-inflation struggle; it achieved a broad consensus in its initial effort. Although the results in the market and the production sphere are not as promising as official figures would suggest, this endeavor still has the support it needs to provide leadership in an area where the Belaunde administration made chaos a form of governing for the benefit of a minority among minorities. To prevent this from becoming just a new cycle in reaction against the liberalism of the previous cycle, continuing the chain of failures, the debate must be focused on the government's economic plan and its development strategy as a whole. In other words, we must not confine our discussion to the measures of the moment. Possibly by the end of the year, when the budget is debated, the initial stage will be over and it will be time to get to the heart of the matter.

We must recall, however, that in his election campaign Alan Garcia was explicit only in his diagnosis of the crisis and the description of his proposals. There was wide agreement on them, in general: It was a question of supporting agriculture, helping the poor peasants, and applying economic measures that would change the plight of the under- and unemployed of the cities. The key question now is how, when and, above all, where will the resources come from. It is impossible to make an omelet without breaking eggs, even in our dear Peru, which is always open to conciliation. The magnitude of the demands and the open-ended expectations requires an equally open-ended debate on the economic alternatives for the coming years. No doubt workers and businessmen, as well as other sectors of the productive apparatus, will gradually raise their banners as they become accustomed to the new pace.

Seeking Peace: Alternative Strategy?

The key to this situation is the fact that for the first time the president is demanding an investigation, and its results are affecting more than just the little fish. Along with the installation of the Peace Commission, what has happened since Pucayacu and Accomarca can and should prompt a thorough rethinking of the anti-subversion strategies pursued by the previous government, which we described in QUEHACER at the time as another cause of the spiral of violence.¹

Action is slow and apparently wavering, however, not only in terms of old, unresolved problems (amnesty, accusations to be investigated, punishment of the culprits), but also with respect to devising a new strategy to face the Shining Path phenomenon as a political, social and military factor. And although a major sum of money has been allocated for investments in the affected region, there is no discussion of changes in local and regional political institutions, in military and police methods, and so on. Thus, we have well-founded doubts, because if everything remains where the previous .pa government left off, we will have a mere change in personnel and a short-term, reversible reaction.

Anti-Imperialism Doubted

Since 28 July, the foreign debt proposal has been refined, approaching a selective moratorium without saying so. Another recent advance was the assertion that the remittances of profits by oil companies will be restricted. In this area, there had been a major gap between the president's rhetoric and the scope of the decree that rescinded the contracts with the oil companies. Later on, as pressures mount on various fronts, it will become clear how much continuity and consistency there is between the president's words and his deeds, which are what really matter.

But there have been some definitions of foreign policy that do not appear coincidental or anecdotal to us. The essence of the confrontation between the presidents of Peru and Cuba did not lie in one phrase or another and was even more important than their differences on the foreign debt. Rather, it is the fact that Alan Garcia's government felt the need to express its position on this matter by contrasting it with the Cuban position, highlighting the differences and even referring to the legitimate internal, sovereign affairs of that country.

In fact, since before he took office, when Garcia was starting to talk about the debt, he began by maligning Fidel Castro's stance, claiming it was irrelevant to Latin America. That stands in contrast to the breadth of the Havana conference, at which Cuba advocated its own position while listening to those of all the liberals, conservatives and leftists in attendance. Once again, in his most important speech, before the United Nations, Alan Garcia presented Peru's stand not only by comparing it to the Cuban position, but also by making reference to aspects of Cuba's internal and foreign policies in terms that usually come only from Washington's most loyal allies.² The reaction of Havana's representatives was inevitable, although we must concede that it was excessive in the extreme, and for reasons of national solidarity we repudiate Foreign Minister Malmierca's words.

The important thing, in our view, is that when one confronts an enemy as powerful as the empire to the north, one should avoid any bickering on the side. The UN is no place for subtle ideological discussions. Behaving otherwise reveals what we perceive in this case to be Garcia's political intention of presenting himself to the U.S. Government as a more palatable alternative than Cuba, hoping thereby to win some bargaining power. And that could be the beginning of the end for any anti-imperialist stance.

We have a long way to go on the road to anti-imperialism. Incidentally, has the government done anything about the accusation proven by Cesar Hildebrandt that Yankee pilots are training in our jungle with the Peruvian Air Force? And what about our sovereignty? And our solidarity with Nicaragua?

Is an Assessment Possible?

The broad images with which we began this article constitute a recognition that a good start has already been made. No doubt the key to these initial months has been the vigorous approach to challenging imperialism through the foreign debt issue. It may well be here where this government's real maneuvering room comes into play in new situations which we will not try to predict. But this apparent spat between the Peruvian and Cuban protagonists, which does so much to serve the interests of rightists of all stripes and Washington's lackeys, must indeed be stopped. Wouldn't a first step be the resumption of diplomatic relations at the ambassador level, which were cut off by Peru in 1979?

On the domestic front, the two key questions of the present are, in our opinion: What kind of democracy and what kind of state does APRA want for us? And although we are not dealing with this matter here, what economic plan and what strategies will APRA develop? Alan Garcia constantly harps on the nationalist, democratic and popular nature of his government. Let us begin here.

During these months, we have been able to discern a trend toward a centralist government and a renewed statism as fundamental limitations to the democratic and popular character of this government. Let us explain further:

There has been no effective decentralization measure, no matter how strong a leitmotiv decentralization has been in political discourse. Here we are referring to the steps taken in the constitutional regionalization process as well as the support and transfer of powers and resources to the municipal governments, the only level of government that is outside the central administration. In the designation of corporation presidents, in dealing with the legal make-up of these corporations, in the persistence of Popular Cooperation despite the president's proposal, and in the other steps taken by the government, there is no sign whatsoever of real support for the provinces' governing themselves in the areas set aside for local control under the Constitution and relevant legislation. The regionalization program consists of nothing but words. And the proposed microrregionalization, an interesting means of decentralizing investment, is in the final analysis confusing and centralist in the area of management and decision-making. What else are we to think when the National Institute of Planning (INP) must authorize every outlay, according to the decree that was issued?

The statism that keeps rearing its head in APRA rhetoric and in the policy that is beginning to be implemented by the public administration and the party with respect to the popular organizations, runs counter not only to the alternative that we visualize as self-government and popular activism, but also to more than a decade of development among popular organizations that are very jealous of their autonomy. Very advanced policies such as the one in the health sphere have reached an impasse precisely because in the entire state apparatus run by the APRA Party, there is excessive faith in taking action through the central apparatus, which contrasts with the lack of confidence in any attempt at decentralization and any initiative taken by the local governments. This urge to centralize is manifested in vertical actions which,

justified by urgency or "efficacy," erupt among the people and challenge their natural organizations, displacing the municipal governments that really represent the local areas. Because they impose committees from above, if they have any success in establishing a clientele, sooner or later they may end up following previous examples of institutional decay.

If we speak of an assessment, then, we must point out that these trends are not figments of our imagination, but are part of the concrete, everyday reality of the people. We prefer not to go into the characterizations that have already been made or to ask now about what the terms socialism and revolution mean when Alan Garcia uses them. The former is not just around the corner, and the latter is not usually brought about by governments. The important thing is whether Garcia will be able to guide this ship to a safe port from this difficult point of departure, strengthening democracy but not restricting or bureaucratizing it, decentralizing and establishing real power in the provinces, and emerging from the crisis, which in the Peruvian economy is saying a lot.

Several questions remain unanswered, concerning whether it is Alan Garcia or the APRA Party that wants change; the degree of internal contradictions; the improvisation we see in various areas; and the difficulty of engaging in dialogue in this country and winning support from different camps.

The unanswered questions also touch on United Left and its pious silence, which not only is not the best way to behave as an opposition party, but also fails to contribute to the government's efforts. Given that the absence or limitations of the leftist opposition must also influence the measures taken in the immediate term, the United Left crisis is an open question that is unavoidable in any provision as a voluntary and/or mandatory mechanism for savings? Is it a complement to taxation, or a replacement of it? Let us recall that the first phase of the military government renounced taxation, replacing it with domestic indebtedness. In the longer run, this alternative will have a substantial influence on the relationship between the state and the capitalist sector of the economy.

In any event, if businesses have enough liquidity, the Treasury Bonds will be in aonsequences. We do not have privileged relations with any power, because we are not combatting a dependency as tools of another hegemony. We do not adopt ostentatious positions, advising others to stop paying while we pay one half of the world punctually and pay with strategic sovereignty a huge debt to the other half of the world, which it therefore does not demand with urgency."

Urban Housing, Urgent Issue

Lima QUEHACER in Spanish Oct/Nov 85 pp 38-43

[Article by Mario Zolezzi]

[Text] Once again, the violent eviction of approximately 10,000 families that had settled on the land of the old Garagay estate, located on the border between the district of San Martin de Porres and the constitutional province of El Callao, calls attention to one of the principal unresolved problems that plague Lima and other cities in the country: It is impossible to guarantee a safe, decent place for low-income families to live, with basic social services.

Some skeptics contend that the housing problem has not been resolved fully in any part of the world; that there are many other needs that are equally or more urgent and also require our attention, such as food, health and jobs; and that the resources of a poor country like Peru are insufficient to deal with these problems at present. Others, wielding well-founded arguments, claim that the problems of over-crowded cities, "slumification" and the invasion or occupation of lands, can only be solved in the long term by applying vigorous measures to decentralize, deconcentrate the administration, and give priority to investments in areas outside the principal urban centers, Lima in particular. There are others who misguidedly assert that the problem is one of administration, because there is enough cheap land now that is not being transferred to those who need land due to excessive red tape (prerequisites, blueprints and forms to fill out). Is there any way to untangle this web that threatens to strangle us? We think so.

True Causes

Just as the symptom must not be confused with the disease in the treatment of sick people, the problem of land invasions does not reside directly in the take-overs, because that is merely the manifestation of much deeper social and economic processes.

The invasion of lands in San Martin de Porres and other areas is simply the consequence of irresponsible--not to say disastrous--policies that combined centralism with the oligarchic interests that defended the latifundio system, land trafficking, and giving free rein to major developers (legal and illegal alike), all of whom were interested in profits as an engine for urban activity, forgetting that the cities should be the patrimony of all of their residents.

Today, Lima contains 1/4 of the country's inhabitants in an area that covers between 900 and 1,000 square kilometers, while almost all of our territory continues to lose population. Aside from the migrations of peasants terrorized by events in the troubled emergency zone, there are the new families, technically known as family offshoots, which are pressuring for land within the city itself so that they can relieve the overcrowding in which they live in their parents' homes. Families with an average of five or more children, who cannot afford to expand the homes that have become increasingly

crowded over the past 5 years, are enough in themselves to account for the magnitude of the problem in districts such as San Martin de Porres, Comas or Carmen de la Legua-Reinoso in El Callao.

When all is said and done, if we want to find an explanation for the underlying causes of events such as those of Garagay, we must take into consideration two current factors: speculation on urban land and the strong migratory tide that is driving Lima's population growth to even higher levels.

The first factor leads to a relative shortage of land by keeping land deliberately unproductive; the other tends to make that shortage even more obvious. The combination of these two factors is, has been and always will be potentially explosive, as long as the country's structural problems remain unsolved.

It is well known that on the one hand there are those who have made fortunes and continue to make more by taking lands which, in most cases, used to be agricultural holdings, and subdividing them into home lots. They buy by the hectare and sell by the square meter at a price multiplied by a thousand or more, as can be seen easily in so many cases of urban development in Lima.

On the other hand, there are the urban poor, whether migrants or not, whose families are growing at an explosive rate and have no place to live. This is why empty urban lots reserved for speculation, as their market value swells with the appreciation generated by investments in neighboring properties, look all the more tempting to them.

Nevertheless, there are those who prefer to view the situation in another way, and explain urban social movements by attributing them primarily to a desire to engage in land trafficking, small-scale speculation, and political agitation. The small-scale land traffickers (who no doubt do exist and may account for as much as 25 percent, if you will) are blamed for the conflicts that arise, when actually all they do is reproduce on a tiny scale the behavior of the major traffickers, who are really responsible for the situation we face today. They are actually just stowaways on the train of a much more complex social process.

Wrong Answers

The policies that have traditionally been undertaken to deal with the urban problem have tried to offer solutions without setting priorities among their components. Solving the problems of migration and poverty requires more time and effort than attacking the process of land speculation. But grappling with the latter factor demands that decisions be made, and these decisions have always been sidestepped in deference to real estate speculation capital.

In this way, Lima's ills have been diagnosed in terms of the millions that would be required to meet the housing and services needs of the most impoverished residents; gigantic financial needs have been cited; not a few proposals have been made regarding the appropriate technology and traditional, low-cost construction materials such as adobe or reeds; and other proposals have been made to channel and support self-construction of housing, and so on.

Despite all this, however, the problem has continued to worsen, because no one has been willing to see or deal with the underlying causes.

Thus, for example, the housing programs promoted in Belaunde's second presidential term were only a palid reflection of the constructive initiatives taken by the architect during his first term. What is even more regrettable, despite the existence of the National Housing Fund (FONAVI) and the good intentions of creating a Materials Bank to back the credit aimed at the low-income sectors, the previous administration oriented the resources reserved for construction in such a way that the results were random and elitist. Las Torres de Limatambo, Santa Rosa, Marbella, Las Torres de San Borja and other housing projects did not respond to the needs of the impoverished masses of the city, who needed land equipped with the basic services. In contrast, lotteries were held from which very few people benefited--although teachers were included among the privileged few, being given a "leg up" by being allowed to enter twice. The winners received subsidized dwellings, and the economic circumstances of the FONAVI beneficiaries were not necessarily taken into account. Furthermore, the few projects that were undertaken for the low-income sectors, such as La Ciudad del Deporte (without any reference to the distance or location of the project), Pachacamac or Canto Grande, were given low priority, and are still not finished.

On the other hand, the deadweight of excessive centralism has also hindered the provincial municipal governments' management of their territories. Lima, the city which serves as the seat of the national government, has had to bear the weight of the Executive Branch and the state enterprises, contrary to the provisions of the Constitution and municipal ordinances. These entities did not and to a large extent still do not respect the prerogatives of the municipal government. This lack of respect was manifested not only in the construction of government housing projects in areas that had been set aside for parks, but primarily in the lack of state attention and support for a metropolitan development plan that calls for orderly growth and urban expansion, in accordance with an overall schedule for the entire city.

Adjust Responses to the Times

For a city such as Lima, which went for many years without the most indispensable and minimal studies on land use, zoning revisions, traffic flows, demographic growth, vacant lots that could be used to provide services, etc., finding the right path is not easy. This is especially true if the goal is to establish a modicum of orderliness so that the tremendous inequalities can be reduced, inefficiency can be minimized, and chaos can be turned into multifaceted order. For this reason, the Garagay and Bocanegra incidents are significant, because they reflect much more than a major invasion confronted with brutal eviction; they reveal the very mood of the city, its residents' anxious confrontation with the daily reality of poverty, the shortage of resources and the urgent need to keep living someplace. Meanwhile, major tracts of land in all areas of the city lie before them, inexplicably vacant.

In view of these circumstances, and almost taking advantage of the attention the mass media have given the matter, we should point out that the problem is not only longstanding, but has been the subject of continued studies and more

or less bold solutions, without the support of the government or the municipalities (whether due to a lack of will or of resources, it hardly matters anymore). We must also note that the problem should be viewed within a larger context, considering policies on housing, urban development and the provision of services to recover land that is now subject to speculation, for the benefit of the poorest sectors.

This is what the Municipal Government of Metropolitan Lima has been doing, or at least trying to do, through municipal programs or pilot projects such as "Huaycan" and "Laderas del Chillon." These programs have emerged from a perception of the need to provide cheap land with easy access to services in the short term for the poorest urban sectors. These are planned human settlement projects on lands recovered by the municipal government, designed to meet the land needs of the new families created by family offshoots, the residents of shantytowns, and the homeless migrants.

The primary municipal support for these programs, as well as those of Las Pampas de San Juan, El Arenal de Canto Grande, Chillon and Horacio Zeballos, has been legal backing and the real transfer of land ownership. Through the gradual implementation of these programs, it is hoped that health, education and electricity services can be provided. Contrary to the attitude of previous administrations, neighborhood organizations are being encouraged to participate actively in the construction of their barrios. An effort is being made to harmonize viewpoints and to use available resources (be they from the central government, the provincial or district municipal government, or other entities) within the integral logic of the programs. These are true municipal, co-management programs that recognize the active role of the organized population.

It should be understood that this is the way to find viable solutions for housing needs, because the execution of this kind of program will make it possible to establish norms and procedures that are compatible with our possibilities. Thus, in a short time, there will be a permanent supply of dwellings to meet demand. Only in this way can a real alternative be forged within a legal framework for those sectors of the population that, precisely because of their low income, are most anxious to solve their shelter needs.

We believe that the housing and urban services needs of Lima and other cities in the country can and should be faced, no matter how difficult the challenge may seem. Confidence in popular organization and in a national development process that is compatible with our economic and social situation, working within existing limitations to provide the basic services of water, sewage and electricity, seems to be the best ingredient to work with until the profound structural changes that our country needs can be brought about. City governments will not make the revolution, but neither can they sit back and wait, without facing the urgent problems of the moment.

It is essential that we point out, however, that even for carrying out their municipal duties, there is a major gap between what the Constitution of the Republic and the Organic Law on Municipal Governments set forth, and the real powers and attributes exercised by these governments.

Municipal Power

Because Peru's democracy has been interrupted and cut short so many times, local governments have been unable to assume their prerogatives in the country, especially in Lima. For this reason, the restoration of legal powers to the municipalities and the provision of economic resources so that they can manage and regulate urban lands and plan and develop the rural lands and riverbanks within their jurisdiction, is something that is demanded every day by mayors and the presidents of all city councils.

The latest evictions in the country, which were particularly dramatic in Lima, have demonstrated the urgent need for a sole authority to take charge of urban problems. Otherwise, it will be practically impossible to manage the cities if, as has been the case, the policies on supplies of drinking water, power and electricity, and transportation services run along separate lines. This has been happening even though Article 134 of the Organic Law on Municipal Governments in a timely and efficient way requires, among other things, that the provincial municipal government's representatives have a majority vote on the boards of directors of the public enterprises that provide urban services, such as SEDAPAL, ELECTROLIMA and ENATRU. And if we assert that the law must be enforced so that urban planning and development will be possible and the necessary elements can be provided to coordinate the land use policies with the policies that govern basic services, then it follows logically that the city governments must be helped to make timely and efficient use of vacant lands, and must be empowered to expropriate lands for social purposes.

This means, then, that meeting the needs of those most desperate for land in the cities also implies enforcing municipal powers to expropriate, as stipulated in the original draft of the current Organic Law on Municipal Governments. This would permit the control and legal disposition of the land and urban lots for the execution of programs for urban development, remodeling, eliminating slums, widening roadways, the physical clean-up and legal clarification of human settlements or shantytowns, and the establishment of urban services where needed.

Finally, at the risk of turning this commentary into a list of demands, we must agree that it is impossible to have an efficient urban administration without the necessary resources. Unfortunately, the poorest districts or provinces often lack such resources. Nevertheless, it appears that we still have a long way to go; just look at the bill for next year's National Budget of the Republic, which allocates tens of billions of soles for agencies such as Popular Cooperation and not a red cent for the municipal governments.

President Faces Choices

Lima QUEHACER in Spanish Oct/Nov 85 pp 44-45

[Article by Cesar Hildebrandt]

[Text] During the 1930s APRA was, in the view of the dominant classes, a guarantee of a civil war that could be won by the undesirable mob of cane pa cutters, radical intellectuals and proletarians that made up the social base of the APRA movement.

Today those dominant sectors regard APRA as perhaps the last card they have left to play to prevent the civil war that Peru, in its disastrous situation, is beginning to deserve.

The heretics of yesterday could become the trustees of today. That is APRA's dilemma: how to prevent social democracy from ceasing to be the "second debut" of an impossible system (in the best style of Carlos Andres Perez); how to bring about a revolution without a central committee, central planning or a sole organ of the press.

The 90-day honeymoon is over. So is the state of grace. But there is a big difference between losing its virginity (the Garagay invasion, the El Sexto massacre) and becoming a nymphomaniac. And the choice is clear: Either the state assumes responsibility for representing the interests of the majority, or it represses those interests in favor of representing the "patriotic" business sector and the Armed Forces.

Alan Garcia, true to his campaign promise, has governed for all Peruvians. I think that from now on, his persuasive prowess will begin to wane. The president will have to make a choice, and the choices will be increasingly drastic. What Garcia should understand is that jeering from part of the audience is inevitable (only Pavarotti can please everyone). He must also realize that governing in Peru means not administering but changing, replacing, eradicating, creating. There is no continuity to maintain here, but rather a vacuum to fill.

During these past 90 days, Garcia has given the country renewed hope, decency and leadership. That can only be disputed by the usual cannibals. A country in ruins--the work of an architect--a country that stinks, has found in Garcia the possibility of vindication. One thing is clear: The president's youth is in inverse proportion to the age of our problems and is directly related to how sick and tired everyone is of the traditional politicians. But whether or not the country can look to those traditional politicians in 1990 with renewed respect depends on the president. What has President Garcia done in these first 90 days? Subjectively, a lot. Objectively, almost nothing. He has strengthened his leadership through words--always successfully and before the most demanding audiences--but it is as if his meteoric election campaign were trying to keep going. In terms of deeds, he has put his finger in the dike and exposed a fragile economic policy to the predictable sabotage by the right. To cite an example, promoting production is one of the president's favorite slogans, but the inevitable question arises: What production? What kind of production? That of Mr Nicolini, or that of the chicken farmers who have been strangled by the oligopoly that gentleman represents?

In the international sphere, he has presented with brilliance and courage his position of rebellion against the IMF and the international financial system. But no spectacular progress should be expected in this regard. The system has reacted, and it will try to isolate the Peruvian virus. We will probably be

abandoned for some time. And it remains to be seen whether any distortion takes place between word and deed.

Finally, I would like to make a comment. I am overwhelmed and frightened by the idea that Alan García's government may be a new frustration. I think that the next alternative will be authoritarian (and almost certainly on the far right). But I also think that if García does not fail and carries out--or begins to carry out--the revolution we need, it will be in spite of his party, in spite of the irresponsible press, in spite of the murderous Shining Path, in spite of many of his ministers, in spite of the military command in charge of the emergency zones, in spite of the powerful sabotage by the oligarchy, in spite of our habitual irrationality. In spite of too many things.

In other words, Peru needs for García to be successful. But it is beginning to do everything possible to ensure his failure. It is well known that there is an old romance between Thanatos and the history of Peru. If this happens, I think we will have learned an invaluable lesson about our inability to live under a democracy; and Bolívar will have been proven right.

Agricultural Policy Examined

Lima QUEHACER in Spanish Oct/Nov 85 pp 46-49

[Article by Orlando Plaza; passages enclosed in slantlines printed in boldface]

[Text] Rather than judging the agrarian policy pursued over the past 90 days in terms of specific and concrete accomplishments, we intend to present to the leader a series of elements that will enable him to analyze the coherence of the proposal that APRA is advocating to deal with the agrarian problem. It will be interesting, therefore, to see how far we have come in diagnosing the problem and what foundations have been laid to meet this challenge, which the government acknowledges to be longstanding.

How to Approach the Agrarian Problem?

Contrary to what many believe, the agrarian problem is not limited to what is happening on the farm or in the countryside; it is directly related to the overall development of society.

This point is important, because politics is not merely a matter of desires, but an activity defined by the limitations of a country's structure. It is also important because a pattern of development cannot be reversed automatically, no matter how fervently one wishes to implant a new model of development.

When we speak of a model of development, we are referring to the concept that lies at the heart of the various policies, programs, actions, distribution of resources, prioritization of problems, etc. In other words, we mean the choice that is made to achieve the proposed objectives. By pattern of development we mean the structural organization of the economy, the society, the relationships among the various sectors of production, the importance and

role of the regions, etc. Therefore, any model of development that is selected by a given government must be based on the pattern of development so that it can be transformed, modified or promoted.

Aspects of Agrarian problem

1. The agrarian problem, for this reason, should be placed within the context of all these problems. This is true because, among other reasons, if agriculture is to be treated as an economic sector, its subordination to the industrial, financial and major capital sectors must necessarily be taken into consideration. Behind the interrelation of all these sectors is a problem of subordination that should be confronted so that such matters as economic resources, technology, prices, supply and demand can be dealt with efficiently.

If this approach is not taken, the agrarian problem is reduced to a mere problem of productivity, of the relationships among economic sectors that are supposedly equal and are governed naturally by the laws of supply and demand. And that is what has been said and done for more than 35 years; until today, all agrarian policies have aimed at boosting productivity and/or raising the income of rural producers. The problem, however, is not limited to productivity and the poverty of the producer; the root of these evils lies in the existing interrelation among the different economic sectors.

2. A second aspect to consider in order to understand the country's agrarian problem is the recognition of the presence of social groups and classes in the rural sector, all of which have different interests that, under different social forms and material conditions of production, express the different degrees of development in the countryside. And contrary to popular belief, the rural sector is not homogeneous; it includes different classes, social groups and economic conditions. Moreover, some sectors are in the lead economically, while others are far behind. It is important to have a clear understanding of this point so that we can establish which groups will be given priority, which rural social sector will be chosen as a social base from which assistance, cooperation and energy will be demanded so that one change or another can be brought about.

3. Finally, approaching the agrarian problem involves a familiarity with rural society and its forms of articulation and reproduction. Throughout history, it appears that when agrarian policies have been devised, isolated producers have been chosen for stimulation with technology, credit and prices, and it has been felt that they should react automatically. Such is not the case. "Rural" denotes a specific form of social reproduction in which the material conditions of production, the economy, politics and the social fabric form a particular nucleus that makes possible the reproduction of the current conditions under which rural dwellers carry out agricultural, social and economic activities, the reproduction of the groups in power.

What Should Change

To deal with the agrarian problem properly, a number of concepts and dichotomies that have impeded the correct approach to the problem must be eliminated.

In the first place, when one mentions the term /"agrarian policy"/ one thinks in general of the most modern agricultural sector, and of the best way to meet the urban demand for food. For this reason, it is assumed that stimulating producers on a differentiated market with prices, credit and inputs is enough to solve the problem. On the other hand, a number of programs and actions aimed primarily at the Andean zone and the peasant economy have been lumped together under the term "rural development." This development will require a series of policies (at the micro level) with marginal resources to solve the problem. The differentiation is important, because it forms the basis of the structure of agrarian credit, state support agencies, the distribution of resources, experimental stations, technical extension, and even the universities.

Thus, the macro aspect refers to agrarian policy and the micro to rural development. To deal with the agrarian problem properly, this separation must be eliminated, and rural development must be linked to policies.

In the second place, approaching the agrarian problem correctly requires that a series of dichotomies be overcome:

/a) Between the rural and the urban/: Neither one can be understood in isolation of the other. Nevertheless, this is often attempted, and it is believed that the urban sector excludes the large coastal cities. Thus, if one speaks of the urban problem in the Andean zone, one is not understood because it is assumed, for example, that Huancavelica is in the countryside, and therefore does not suffer from urban problems. Rural development cannot be divorced from any relationship with the cities or from the overall urbanization process in the country, because it is the populated centers of the microregions that are organizing the social, economic and political life of the rural sector. They are the seats of local power and the transmission lines of public and private institutions. They are the points where rural production is concentrated by being sent outside, and they make possible the distribution of industrial goods. Without the centers of population, agrarian production would be sparse and fragmented. Through them, the peasants can sell their products and the results of their efforts, and can reproduce as peasants. The meaning and the activities of the centers of population must be reoriented for the rural zones.

/b) State and society/: It is generally felt that the state is an element that can organize society independently of how society functions. It is supposedly enough for the state merely to establish objectives and then achieve them through various policies accompanied by copious legislation, to set society moving in the desired direction. It is believed that the state can organize everything, independently of the specific functioning of society, and that is a serious mistake.

/c) Macro and micro/: As indicated above, it is felt that the Andean rural problem is a micro, local problem that bears no relation to the overall policy (macro) established for the more developed sectors of the countryside. People do not tend to perceive the rural problem as immersed in the economic dynamics of society, and in this regard, as a contradictory whole, where the minifundio has to do with the problem of prices in general, to cite one example.

/d) Modern and traditional/: In general terms, the dualist theory has not yet been eradicated, although the contrary is asserted. Thus, in terms of formulating rural development policies and programs, /the images/ of the problem carry more weight than the analysis and functioning of the social structure. Over a period of more than 30 years, a series of images was maintained that ended up having much more weight than the social structure itself when it came time to make decisions. For this reason, people think and act as if the peasants were exclusively farmers, and that is not so. It is assumed that rural society is a combination of isolated problems, and that is not so, either.

We need to seek alternatives and overcome these problems by drawing on the experiences of the social and agricultural sciences.

APRA Policy

All of the above should enable us to pose a series of questions: Does the APRA proposal view the agrarian problem this way? Is there a clear idea of the meaning of the country's current pattern of development with reference to the agrarian problem and its relations with other sectors? Is there a concern to build a model of development that would be based on the current pattern of development but allow us to find coherent and therefore viable alternatives to this longstanding problem?

So far no clear guidelines have appeared in this regard. On the contrary, it seems that officials are repeating the old error of separating a /"macro"/ vision focusing on prices, credit and inputs for the modern sector, from a /"micro"/ vision that does not know how it will function for the mountainous region, despite the president's political rhetoric contending that the mountains should be given priority.

The diagnosis on which the microregions are based, on the other hand, is correct. There is a concern not only for bringing traditional policies to the rural sector, but also for placing it within a broader policy that will ensure the marketing of products to guarantee them a given price and to seek profitability.

There are still several problems, however: how the higher farm prices will relate to the general policy of freezing urban prices; how the promised credit subsidies will be implemented.

On the other hand, the creation of the microregional development committees is a step forward; but all that will lead in the medium term to a process of agrarian restructuring of the production system and of the existing forms of

ownership and landholding in this zone. It would appear that no one is bearing these problems in mind.

Truly facing the agrarian problem from the standpoint of the country's development, which would overcome the dichotomy between agrarian development and rural policy and would give priority to the mountainous region, poses several challenges:

- 1) Reversing the type of social, ethnic and political relations that govern Peruvian society as a whole.

- 2) Channeling and changing the current pattern of accumulation that leaves the Andean rural zone in God's hands, as neither private capital nor state capital is interested in these areas either because they are not profitable, because there is no political force there, or because the peasants are simple peasants.

- 3) Reorganizing the state apparatus to deconcentrate it.

It is not just a question of mobilizing officials, nor does it apply exclusively to the Ministry of Agriculture; it has to do with all sectors, particularly all offices that are related to enterprises such as the National Enterprise for Industrial Marketing (ENCI), the Rice Marketing Enterprise (ECASA), the Agrarian Bank, or INIPA. This is an indispensable step to stop the trend of handling and solving problems product by product in isolation of each other (because the peasants do not work with just one crop, but with systems of crops) or by marketing circuits (because the peasants have their own, from which they derive other benefits).

- 4) Creating an adequate flow of technology that can guarantee a social and economic dynamic, with constant input and feedback from the forms of production, both agricultural and industrial, and from the connection between these, to ensure the steady development of the forces of production.

The universities, research centers and experimental entities should be involved in this effort, since all of them aim at linking the peasant world to the agrarian world in general, in a vision that combines the micro with the macro. So far we have hardly done anything to generate our own flow of technology based on scientific creation and the adaption of the conditions of real production. When we speak of technology, we think of importing packages or of recreating in situ something that was successful 400 years ago, but we do not think of utilizing our current social wealth and all the accumulated knowledge that is spread around the country.

- 5) Regarding the population's capacity as a force of production and a condition for democratization.

Although the microregionalization proposal does create some committees that move in this direction, the problem is how to take on the social organization of production and its specific forces. This is a scientific and technological challenge, but above all it is a force of production that articulates not only to sell its products, but also primarily to establish a social relationship

among the different peasant communities and organizations. Thus, a broad cooperation among the forces of labor, knowledge and the social organization of production could be established to contribute to the transformation of the foundations of socioeconomic and political exploitation of rural society.

The organization of the population should be understood, therefore, as a force of production, an instrument of democratization in the countryside, and the centerpiece of rural development. The autonomous organization of the peasantry should not be impeded, because without it there is no guarantee of change. Peasant organization is a necessary condition for solving the technological problem, the control of natural resources, and the fragmentation and dispersal of the peasants themselves, and for removing private and local powers.

6) Finally, promoting a foreign policy that is consistent with the development of the forces of production and rural development, eliminating the international institutional framework which today regards us as the recipients of models, planning proposals, and genetic experiments, and which we accept passively.

8926

CSO: 3348/199

CIVIL GUARD, POLICE RECEIVE WEAPONS SUPPLY

Lima EL COMERCIO in Spanish 11 Nov 85 p A-3

[Text] The Ministry of Interior has just purchased 10,000 submachineguns and 1,000 mini-machineguns from CEFAR [Weapons Manufacturing Center] of SIMA [Maritime Industrial Service]-Callao to equip both the Civil Guard and the PIP [Peruvian Investigative Police].

Also 5,000 FAL's [light automatic rifles] and 10,000 revolvers will be purchased abroad for the Civil Guard since they are still not produced here.

Delivery of the weapons purchased from CEFAR will begin next month, according to the deputy minister of interior, Agustin Mantilla Campos, in an exclusive interview with EL COMERCIO.

This is a large shipment of MGP submachineguns designed and produced wholly at SIMA by Peruvians experts in 1979. The original model has been perfected with the passage of time, achieving a weapon of excellent quality.

They have also purchased 1,000 MGP-84 mini-machineguns to equip the PIP's security forces for dignitaries.

The mini-machinegun is a small weapon 28 centimeters in length that, like the submachinegun, uses 9-mm bullets that can be fired in a burst. The difference is that it can be carried concealed under the arm without arousing suspicion.

It is ideal for the personal security service protecting the president of the republic, ministers, diplomats and officials in general.

Deputy Minister Agustin Mantilla said that it is an important acquisition to equip our police forces which lack basic weapons.

He gave the example of the Civil Guard where, according to official figures, only 52 of every 100 policemen have revolvers.

In that same corps, the "Sinchis" of Mazamari and the members of UMOPAR [Motorized Rural Patrol Unit] need FAL's for their fight against subversion and drug traffic, real antisocial groups that have sophisticated weapons in their possession.

CEFAR is under the Peruvian Navy which is clearly pleased about this decision by the Ministry of Interior since it means important support for the national arms manufacturing industry.

PROPOSED MILITARY PROMOTIONS ANNOUNCED; NUMBERS LIMITED

Lima EL COMERCIO in Spanish 13 Nov 85 p A-2

[Text] The minister of aeronautics, Air General Jose Guerra Lorenzetti, yesterday went to the National Defense Commission of the Senate to report on the proposed promotions endorsed by President Alan Garcia.

The president's representative on this commission, Carlos Enrique Melgar, revealed that "even though the proposed promotions have not yet been approved, everything seems to indicate that they will be approved by the commission."

The minister reported that the following FAP [Peruvian Air Force] major generals have been proposed for the top rank of lieutenant general: German Bucetich Zevallos, Cesar Gonzalo Luzzza, Alfonso Salas Morales, Juan Hoffman Gonzalez, and Cesar Olivera Fernandez.

The following FAP colonels have been proposed for the rank of major general: Jose Poggi Gomez, Luis Chavez Coronel, Anatolio Alegre Pacheco, Miguel Chajhut Rossi, Armando Llosa Alvarez, Edgar Zuniga Larenas, and the finance officer, Oscar Carrillo Tuestas.

Melgar announced that he will meet again with Jose Guerra.

Promotions in the Navy

The minister of the Navy, AP [Peruvian Navy] Admiral Julio Pacheco Concha, reported that a limited number of promotions have been proposed in the Navy for next year. The promotion of only five vice admirals and nine rear admirals has been proposed.

He said that there will be one vice admiral and three rear admirals less in the National Navy in 1986.

The proposed promotions which have been approved by that commission are:

Rear admirals promoted to vice admirals: Oscar Johnsen Raygada, Oscar Ardenson Noriega, Augusto Fernandez Hidalgo, Gonzalo Gambirazio Martini, and Augusto Parodi Rivera.

Ship captains promoted to rear admirals: Walter Indacochea, Queirolo, Jorge Arteta Miranda, Fernando Jimenez Roman, Carlos Ponce Canessa, Francisco Ravines Cardozo, Roberto Duboc Deza, Jose Di Bello Doria, Juan Freyre Roncagliolo, and Jaime Carrera Rivera.

In the Army

The Army command only proposed four brigade generals to the Senate for promotion to the rank of division general. It was learned that 16 colonels will be promoted next year.

The number proposed is lower than in 1984.

The following brigade generals will be proposed for promotion to division generals: Alejandro Antunez de Mayolo, Artemio Palomino Toledo, German Gonzales Reyes, and Julio Velasquez Giaccarini.

The colonels are: Alfonso Robledo del Aguila, Julio Valverde Butron, Victor Malca Villaneuva, Rodolfo Trelles Meneses, Victor Herrera, Juan Soto Perez, Sergio Valqui Casas, Luis Monzon Yopez, Juan Campos Luque, Lucio Segura, Gustavo Balbin, Lewis Weiss Ikeda, Victor Pizarro, Juan Pendola Alania, Gerardo Bermedo Hidalgo, and Victor Obando Salas.

7717

CSO: 3348/201

MINING ENTERPRISES LOSING \$10 PER TON PRODUCED

Lima EL COMERCIO in Spanish 11 Nov 85 p A-4

[Text] A sign of the crisis which some mining enterprises is going through is that, for each ton produced, there are losses, in some cases of more than \$10.

With the exception of Canaria, the balance is negative in Rio Pallanga, Atalaya and Posco.

Operating costs are higher than revenue, according to the final report of the commission that evaluated them.

The fact that the prices were higher on the international market for four out of five products at the time of the evaluation aggravates the situation.

According to the official report, operating costs--not including depreciation and financial expenditures--were about \$24.47 per TM [metric ton] for Atalaya. Revenue was about \$19.95. Therefore, it lost \$4.52 per TM.

At Posco, the operating costs were \$29.35 per TM with revenue of \$28.50, a loss of \$0.85.

Rio Pallanga works with the Alpamarca, Carhuacayan and San Jose deposits. Their cost/revenue ratio was as follows:

Alpamarca, \$8.33 (cost), \$5.12 (revenue), loss of \$3.21; Carhuacayan, \$18.29, \$7.80, loss of \$10.40; and San Jose, \$15.66, \$5.00, loss of \$10.66 per TM.

Only Canaria had a balance in the black since its operating costs were \$35.40 and its revenue \$52.80. In this case, the positive balance was \$17.40.

The commission established that the daily capacity of the Atalaya mine is about 450 TM; Posco, 120 TM; Alpamarca, 1,500 TM; Carhuacayan, 1,000 TM; San Jose, 500 TM; and Canaria, 200 TM.

Therefore, the commission decided that Rio Pallanga, Atalaya and El Aguila cannot pay for their operating costs.

Posco can pay its operating costs, but not its debt amortization and interest. The only one that would be profitable is Canaria, after financial reorganization.

Total Debts

As of 30 September, the debts of the enterprises totaled \$32,168,900.

Rio Pallanga owes \$11,969,000: 49.6 percent to Banco Minero; 39.6 percent to MINPECO [Peruvian State Mineral Marketing Company]; 6.5 percent to other creditors; and 4.3 percent to its workers.

Atalaya owes \$10,127,600: 56.9 percent to Banco Minero; 28.3 percent to MINPECO; 10.9 percent to other creditors; and 3.9 percent to its workers.

Canaria owes \$4,530,200: 69.3 percent to Banco Minero; 5.6 percent to MINPECO; 10.3 percent to other creditors; and 14.8 percent to its workers.

Posco owes \$5,542,100: 38.9 percent to Banco Minero; 56.8 percent to MINPECO; 3.7 percent to other creditors; and 0.6 percent to its workers.

7/17

CSO: 3348/201

BRIEFS

NEW WELLS, EXPLORATION PLANNED--In the next 7 months, PETROPERU [State Petroleum Agency] will finish drilling eight new development wells in the oil block of Leones (Talara) in order to commercially develop the 1.2 million barrels of crude oil confirmed there. According to the general manager of that state enterprise, Carlos Lizier Gardella, the drilling of each new well will require an investment of approximately \$400,000. It will be done with the enterprise's own specialized personnel and equipment. As is known, PETROPERU has just announced the discovery of an exploratory well in Leones, 15 kilometers northeast of Talara near Lobitos, after drilling 4,833 feet down into the geological structure called "Mogollon." The drilling was done with the enterprise's own equipment (motors, winch, tower, framing, mud control) which was meticulously repaired since it was in very bad condition. Now this well whose production is 1,000 barrels per day is bringing oil to the surface without any special pumping equipment. The crude oil flows by gas pressure and will probably continue doing so during the next 7 months. As part of the aggressive work to maintain or expand crude oil reserves in the country, the top officials of the enterprise have ordered new exploration, especially in the zones of Portachuelo and Lancones. Other important areas where oil could be found will be restudied geologically. One example is Lagunas where it is estimated that there are major reserves similar to or slightly smaller than those found in Laguna Zapotal, 40 million barrels. PETROPERU now has 13 sets of drilling equipment in operational condition; two are being used at the Laguna Zapotal project. Three are not operating due to a lack of parts which affects optimal work. [Text] [Lima EL COMERCIO in Spanish 7 Nov 85 p A-9] 7717

IRAN, NIGERIA NEW MARKETS--Chimbote, 7 Nov--Peru found new markets for frozen and canned fish exports, according to information received today by telephone from deputy Freddy Ghilardi Alvarez in Munich, Germany. The countries that will buy our products are Nigeria and Iran which need to compensate for their protein shortage. The parliamentarian remarked that he is participating in the 25th World Congress of Fishing Countries that is being held in Munich. This will be an opportunity to obtain better prices for Peruvian canned fish. He also mentioned that the Peruvian delegation participating in the Munich congress will meet in Paris with the president of the French Chamber of Deputies and representatives of other institutions, mainly to obtain technological and financial collaboration in the exploitation of the coal

seams of Pallasca, Cabana, Conchucos and Chicama. [Text] [Lima EL COMERCIO in Spanish 9 Nov 85 p A-16] 7717

RECORD MAN-HOURS LOST IN OCTOBER--Minister of Labor Carlos Blancas said yesterday that more than 400,000 man-hours have been lost due to strikes in October. He feels this is a record for the country. He added that an average of less than 1 percent of the unionized workers in the country have been on strike in the last 6 weeks. He maintained that these figures are really the lowest that have been recorded in the last 5 years. He felt that these strikes have also been very short because his sector is acting immediately to achieve an agreement between the parties through conciliation. He added that more than 50 percent of the demands are being resolved through direct talks. He also indicated that the business sector is not against the labor stability bill that Parliament is debating because it understands that it complies with a constitutional norm. He stated: "It especially guarantees security to the workers against the possibility of a dismissal that could not be fully justified." However, he noted that although labor stability is a right established in the Constitution, the worker who makes a serious mistake can be dismissed if his conduct is illegal, according to the bill approved in the Chamber of Deputies. [Text] [Lima EL COMERCIO in Spanish 5 Nov 85 p A-4] 7717

GARCIA STATEMENTS AT FAO MEETING--Speaking before the Rome press, Peruvian President Alan Garcia said that he seeks the emancipation of his people and the solution of the problems of social inequalities. Garcia is in Rome attending the 23d FAO sessions. After stating that his proposals go against the imperialist domination model, the Peruvian president spoke in favor of all movements or meetings in Latin America that seek a hemispheric stand, particularly concerning the foreign debt problem. Shortly after that and during another news conference, U.S. Secretary of Agriculture John Block said that he has his reservations about the actions being planned by the Peruvian Government concerning the debt and rejected Alan Garcia's accusations against the World Bank and the IMF. Speaking before the 23d FAO sessions, the Peruvian president harshly criticized the creditor nations for not understanding the need for a political solution to the foreign debt problem, which he described as unjust and stemming from unequal exchange and protectionist measures. [Text] [Havana International Service in Spanish 0000 GMT 13 Nov 85]

AID TO PERU--Bonn, 4 Nov (ADN)--The Federal Government has promised Peru DM21 million for technical aid and a loan of DM50 million this year. This is to promote agriculture among other things and to finance the development of the country's health and school sectors, the Federal Ministry for Economic Cooperation announced on Monday at the end of government negotiations in Lima. [Text] [Hamburg DPA in German 1114 GMT 4 Nov 85]

USSR-PERU DEBT NEGOTIATED--Peru will pay its debt to the USSR exclusively with products instead of cash from 1985 to 1990, according to the minister of industry, trade, tourism and integration, Cesar Atala, yesterday. During the first part of the negotiations, it was agreed that 25 percent of the amount that will be paid annually will be in traditional exports and 75 percent in nontraditional exports. The round of negotiations between the two governments will culminate in Lima in December. Atala told EL COMERCIO that the initial meetings in Moscow were arduous and difficult, but they finally agreed on the method and percentages for the complete payment of our debt to that country. [Text] [Lima EL COMERCIO in Spanish 9 Nov 85 p A-4] 7717

ARGENTINE CREDIT LINE--Lima, 5 Nov (AFP)--Victor Lisandro Artieri, the economic and trade secretary of the Argentine Embassy in Lima, today announced that Argentina has opened a \$100-million credit line for Peru to purchase farming equipment. [Excerpt] [Paris AFP in Spanish 1556 GMT 5 Nov 85]

CSO: 3348/201

COMPTON AT UWP CONVENTION, PREDICTS ECONOMIC UPTURN

FL050205 Bridgetown CANA in English 2141 GMT 4 Nov 85

[Text] Castries, 4 Nov (CANA)--St Lucia Prime Minister John Compton has told the annual convention of his United Workers Party (UWP) that next year will see a step-up in economic activity here.

In a two-hour-long address to the convention yesterday, Compton gave no hint of any intention to call early general elections, as some opposition politicians have been predicting. He indicated that the government would use the remainder of its five-year term to press ahead with its development programmes.

He said: I can...predict with confidence that, short of a natural disaster, we shall see St Lucia on a path of economic growth unequalled at any time since the decade of the seventies, when we led most of the countries in the Commonwealth Caribbean.

He reminded party delegates of the troubled state of the country's economy when he assumed office in 1982, adding that St Lucia's recovery so far had been all the more remarkable bearing in mind the world economic situation and the continuing problems in the Caribbean Community (Caricom).

Declared Compton: It is no secret that, with the exception of Barbados, all the so-called more developed countries--Jamaica, Guyana, and Trinidad and Tobago--have had to take drastic action to halt their economic decline, and such action has had an adverse impact upon our industrial exports and our industrial employment.

The fluctuation of the British pound, Compton said, had also adversely affected the island's returns from its banana trade with Britain but had not deterred St Lucia's farmers.

And despite the recession in the U.S. economy, St Lucia's tourist arrivals had reached new heights, he commented.

He added that, except for bringing government expenditure under control, the repairs to St Lucia's economy are all but complete, and St Lucia is poised for the takeoff.

Next year would see much economic activity, Compton said, with the undertaking of a number of projects which had been held up because of the government's inability to meet local costs.

He urged St Lucians to guard the gains which they had achieved. And, referring to the period of decline under the last government, he added: We who have seen the things we have given our lives to build destroyed, have begun the task of rebuilding, and from all indications we are succeeding.

It is for us to guard it this time, preserve it with our vigilance, because St Lucia was given a second chance. If we destroy it this time, we will not deserve a third chance.

/9274

CSO: 3293/127

BANANA GROWERS REVIEW SECURITY, OTHER PROBLEMS

Castries THE WEEKEND VOICE in English 12 Oct 85 p 6

[Text]

FIRM measures are being taken to tighten security at St. Lucia Banana Growers Association (SLBGA) offices and paying centres in various parts of the island, outgoing SLBGA Chairman, Rollin Fernand has revealed.

Addressing the Nineteenth Annual Conference of Delegates last week Fernand disclosed that the measures were a direct response to a number of hold ups which had recently taken place at SLBGA offices.

He told the delegates that the "rash of robberies" could result in loss of life of either paymistresses, banana growers and officials. "The Association, mindful of this fact, is seeking to implement the best measures of paying growers, but the cooperation of all the island's banana growers is necessary if we are to succeed," Fernand said.

He gave no details on the firm measures but announced that it would be necessary, in the long term, to pay banana growers by cheque or to have their banana payments made payable in banks situated in various parts of the country.

Said Fernand: "I therefore urge all delegates to inform their various branches of all intended measures and to solicit the cooperation of their fellow banana growers in opening bank accounts."

The outgoing Chairman also stressed that every effort should be made to consolidate the Association's reserves saying that there had been a "marked reluctance" on the part of aid agencies to assist in times of disaster. While the SLBGA was actually pursuing efforts to establish a hurricane scheme it must also take steps to build a strong disaster and price support fund to draw from in the event of any disaster which may recur in between, he said.

On the troublesome question of fruit quality Fernand said it was vital that "we continue to maintain a high level of quality bananas on the U.K. Market if we are to enjoy the protected status granted us by the British Government."

"We agree that the profit margin can be increased but it devolves on us all as banana growers to produce a level of quality bananas on the market so that we can benefit on an overall basis from the fruits of our efforts," he added.

/9274

CSO: 3298/128

CASE OF TEACHERS UNION OFFICIAL INVESTIGATED, ASSESSED

Union Statement

Castries THE WEEKEND VOICE in English 5 Oct 85 p 1

[Text] The St Lucia Teachers' Union (SLTU) has broken its silence on the resignation of its General Secretary, Alfred Jn Baptiste saying that he resigned three days after he was suspended by the National Executive.

A statement released by the SLTU yesterday said JN Baptiste was suspended by the National Executive on September 20 after he refused to cooperate with the President and secretariat who had been requesting a formal explanation from him "regarding numerous discrepancies in the Union's finances discovered by the President as a result of an investigation that lasted from July to August 1985."

Jn Baptiste said in his resignation letter which was undated that he was donating the next three years of himself and his overall development, after which he would be more equipped "to stand in the battle zone."

He served as General Secretary of the SLTU for the past six years and president of the Caribbean Union of Teachers (CUT) for four consecutive years.

The SLTU statement said the President had investigated five years of financial discrepancy" and because of the nature of the evidence uncovered, the matter has been handed over to the Union's solicitor and the police."

The statement added: "In light of the fact that the matter is now in the hands of the police, the National Executive awaits a completion of the investigations before making any further decisions regarding the General Secretary."

The statement also said the National Executive of the SLTU had not discussed Jn Baptiste's letter of resignation as the "circumstances which led to his resignation are still under official investigation."

It had become necessary to "clear the air of the mounting speculation surrounding the published resignation of SLTU General Secretary, Alfred Jn Baptiste," the statement said.

Meanwhile, a reliable source has informed THE VOICE that Jn Baptiste is out of the island and has threatened to expose certain activities of other union members in the island if they insisted on spreading rumours about his affairs in the SLTU.

Police Probe

Castries THE WEEKEND VOICE in English 12 Oct 85 p 2

[Text] Police have confirmed that financial irregularities in the St. Lucia Teachers Union (SLTU) have been referred to them for investigation. A police spokesman said this week that the financial discrepancies discovered by the executive of the SLTU were passed on to them by the Union's solicitor.

The discrepancies led to the suspension and subsequent resignation of SLTU General Secretary, Alfred Jn Baptiste who is currently out of the country.

Meanwhile, in our front page report on the SLTU statement on the affair published last weekend (Oct. 5) it was erroneously stated that the President of the SLTU had investigated five years of financial discrepancy. This should have been "five areas of discrepancy."

Workers Revolutionary Movement Role

Castries CRUSADER in English 12 Oct 85 pp 1, 8

[Text] There are two theories floating around about the details surrounding the resignation of Mr. Alfred Jn Baptiste the Secretary-General of the Teachers Union. The Union through its President Jean Francois and its Legal Adviser Mario Michel has taken the stand that Mr Jn Baptiste has refused to account for large sums of Union money which was kept separately in an account at the Cooperative Bank and after a thorough investigation Mr. Jn Baptiste was suspended and as a result of this suspension he submitted his resignation to the Union. The Union claims to have put the matter in the hands of the Police.

The second theory is that the comrades of Mr. Jn Baptiste in both the Workers Revolutionary Movement and the Industrial Solidarity Pact have decided to make a scapegoat of him for his failure to cooperate fully with them in confidential matters. Mr Jn Baptiste himself has expressed this view in a memorandum which he has circulated to certain organisations and individuals in St. Lucia. It is from the contents of this memorandum that the Voice of St. Lucia in its Saturday last edition said that Mr. Jn Baptiste had threatened to expose his erstwhile comrades if they persist in maligning and discrediting him. Mr. Jn Baptiste has clearly stated that both the President of the Union and the Organisation Committee of the Workers Revolutionary Movement were fully aware that some of the funds from that particular account was being used to finance the office of the WRM and to pay the person employed at the office. Mr Jn Baptiste goes as far as saying that the WRM sent him the money

by way of refund after the fact was in the fire but he refused to accept it since he was convinced that his comrades were out to destroy him.

There is not sufficient evidence and hard fact around to determine which of the two theories are valid. One fact is however incontrovertible that an Overseas Agency had made funds available to the Teachers Union and the funds were placed in a Special Account with the General Secretary as the sole signatory. The question now is whether this was done with the full knowledge of the President of the Union or not. The further question arises whether the National Executive was aware of this or not.

Anyone with a vague familiarity with the operation of groups such as the WRM will know their emphasis on strategy, tactics, discipline and infiltration. The Militant Tendency operating in the United Kingdom as a parasitic body to the Labour Movement provides a model for this type of Group. The modus operandi is to infiltrate the Executive rather than the rank and file of organisations and develop itself by virtually living off the parent body. Given this method of existence it is not far-fetched to conceive that the WRM would in no way consider it highly irregular to poach off the funds of the Teachers Union or any other Union to which it has access. The difficulty in accepting Mr. Jn Baptiste's theory is that the WRM officers should surely be perceptive and tactic-conscious enough to realise that if they made an example or a scape goat of Mr. Jn Baptiste that he would most certainly blow the whistle on them. Another difficulty arises in the ambivalence of Mr. Jn Baptiste colleagues on the ethics of morality of such an action as the use of Union funds for the promotion of the work of the organisation. Some extreme groups hold it as an organisational duty to find funds for their operations and raiding banks and committing felonies for this purpose are certainly not ruled out. If Mr. Jn Baptiste was persuaded along this line and his colleagues upheld him in the view that the work of the WRM was sufficiently important to use the Union funds for its promotion then his colleagues could not then turn around and nail him for such an action without laying themselves wide open to a complicity charge.

Some of Mr. Jn Baptiste colleagues in the WRM and the ISP are now, rather late in the day, suggesting that most of the funds might have been used for personal expenses. Maybe the investigations which the Union claims to have conducted would reveal what proportion went to personal use and what proportion, if any, went into organisational funding. It is crucial that this point should be explored since it is a convenient tactic for Mr. Jn Baptiste (an his last Secretary's Report to the Teachers Union was a virtual dissertation on tactics politics and Unionism) to implicate the persons who brought him to book. It would be to the credit of the WRM if they could offer conclusive proof that the funds were not used in part with their consent for the activities of their organisation. If they are unable to do so then it would appear that groups of this ilk reserve the most unkindest cut for their comrades-in-arms. Coming in the wake of the events in Grenada when a clique of extremists dealt the most brutal blows to Maurice Bishop culminating in his death it is vital to establish that savagery and inhumanity is not the common currency of Revolutionary organisations. Che Guevara himself the decyen of Revolutionaries maintains that humanity is the most vital quality of

a Revolutionary. It is a corrolary of this statement that one should extend ordinary humanity and comradeliness to those who struggle alongside one. The rush to hadn over investigations which seemed rather incomplete to the Police did not carry the stamp of fairness. The rush to suspend the Secretary General even when it was clear that the Constitution of the Union did not permit this course of action is significant. The cover-up story that the suspension preceded the handing in of Mr Jn Baptiste's resignation is transparent and alarming.

Finally, these sheenanigans can do little except bring the Workers Struggle and the activities of Trade Unions into disrepute. It can also rebound against the common interest of those who struggle against corruption in traditional Capitalist institutions and most of all it can provide a convenient block-eye against Socialism. If Mr. Jn Baptiste slipped into corruption then there is no question of white-washing his misdeamenours. He should stand the consequences. But if he was, misguidedly or not, performing his organisational duty as a devout WRM protege then his colleagues should have a different stance and mood, even if the law understands no such subtleties.

/9274

CSO: 3298/127

NEW YOUTH COUNCIL PROCEEDING AFTER MEETING WITH GOVERNMENT

Report on 5 October Session

Castries THE WEEKEND VOICE in English 12 Oct 85 p 4

[Text]

THE impasse between the National Youth Council (NYC) and the Ministry of Youth is as good as dead. A joint meeting of youth groups and the Ministry discussed and resolved their troublesome differences which last month appeared to be heading for a crisis.

The youth groups and student organizations voted overwhelmingly in favour of officially launching the NYC on October 20 in order to proceed with the task of tackling the problems confronting them.

The National Meeting of Youth and Sports Councils which was held last Saturday at the Venezuelan Cooperation Centre was chaired by the Office of the Attorney-General which was asked by Prime Minister, John Compton to mediate in order to reach a speedy and amicable settlement.

Two crucial questions were put before the youth representatives present: whether they were sufficiently sensitized on the problems affecting youth and the need, aims and objectives of an NYC; and whether they had studied and were satisfied with the NYC draft constitution. But the answer was a resounding yes. Of the 14 districts represented only Mabouya Valley and the Archdiocesan Youth Organization abstained from voting. Mabouya Valley gave no reasons for their decision, but the archdiocesan representative said his organization was fully supportive of the present NYC but would not vote on a district basis because theirs was a national group.

The better part of the discussion saw district and

youth group representatives criticizing the Minister of Youth, Romanus Lansiquot for what most of them agreed was his attempt to politicise the NYC and smear its name. At the same time most of them praised the efforts of the NYC in helping to revive youth organisations in their areas.

The proceedings were also punctuated by shouts of 'long live the NYC' and 'give youth a chance.' The students' representative gave a most moving speech in which he said that it was the students who had suffered most from the Ministry of Youth's quarrel with the NYC. He told of how certain students were threatened with expulsion if they did not relinquish ties with the NYC.

The United Workers Party (UWP) Youth Arm along with the Methodist Church and the youth arm of the local Pentecostal Assemblies said they were not consulted on the formation of the NYC last April.

But they also stressed that they had no quarrels with the principle of forming an NYC.

It was last April that youth groups and students organisations gathered in Soufriere for a weekend of consultations on problems confronting them and how to go about tackling those problems. The event climaxed with the election of the NYC and a national executive which was rejected by the Ministry of Youth.

The Ministry claimed that the Soufriere consultations had no mandate to elect an executive prior to ensuring that all youth groups were adequately consulted. Youth Minister, Lansiquot last month issued a strongly worded statement declaring the NYC null and void because it was committed to promoting doubtful ideologies in "our wonderful, stable and peaceful communities." He further said that those who supported the Council were enemies of the western world and the government of St. Lucia. He also informed of his Ministry's non-cooperation with the NYC.

At Saturday's meeting youth expressed the hope that Ministry and NYC would work together in a mutual, long lasting relationship in the interest of all the country's youth. They also made the following proposals: that a joint statement be issued on the settlement of the impasse; that the Ministry of Information release a ban on NYC news items over Radio St. Lucia; that youth put their general interest before ideologies; that the NYC should be the only genuine representative of all the island's youth; that the NYC National Executive should remain as elected at Soufriere and be ratified on the date of the launching, among other things.

Labour Organ's Coverage

Castries CRUSADER in English 12 Oct 85 p 9

[Text]

The controversial National Youth Council which has been subjected to a malicious and vicious attack by the Minister of Youth and Sports Romanus Lansiquot is to be officially launched on October 20th 1985.

This is as a result of a unanimous decision taken by youth groups on Saturday last, when they met to decide on the status of the National Youth Council, which was formed during a National Youth Consultation in April of this year, and which the Minister contended was not properly constituted.

Following reports that the Ministry was not happy with the National Youth Council and was not prepared to work with them, the National Executive on August 30th 1985 requested a meeting with the Prime Minister. The meeting was convened and it was agreed that the Ministry of Youth, the National Youth Council, and the Attorney General who would supervise the meeting, would meet to discuss the charges and counter-charges which had been made.

Between the 1st-30th of September 1985 three meetings took place the N.Y.C. and the Ministry of Youth which were involved in the dispute. At those meetings the grievances of the Ministry and the N.Y.C. were discussed and it was decided that a working committee be set up comprising of representatives of both parties with the Attorney General as chairman. Because of some of the charges made by the Ministry of Youth, it was decided by the committee that a meeting of all youth groups and organisations from around the island would be summoned to find out from among other things

(1) Whether the youth were properly sensitised on the formation of National Youth Council

(2) Whether they agreed with the draft constitution and (3) If they agreed with the two previous points, they would then set a date for the launching of the Council.

Last Saturday youth groups from around the island met at the Venezuelan Co-operation Centre to discuss the very controversial issue which in recent times confronted the youth.

After the opening remarks by Barrister at Law, Mr. Errol Walker, of the Attorney General's Office who chaired the meeting, gave a summary of the Ministry's and N.Y.C.'s positions. The floor was opened for discussion.

During the three hour discussion, district after district stated their position and expressed satisfaction with the work done by the National Executive of the N.Y.C. The young people expressed full confidence in the National Executive and unanimously agreed that they had been properly sensitised on the formation of the council, and agreed with the draft constitution. The youth then proceeded to set a date for the official launching of the council, and agreed upon Oct. 20th 1985.

It had been agreed by the two parties before that whatever decisions taken at that meeting would be binding on all concerned.

President of the N.Y.C. Mr. Mario Michel told the Crusader this week that the meeting was an historic occasion, which brought an end to an era of controversy and confusion, leading to a new period of co-operation. However Mr. Michel expressed the view that he had been confident all along that the youth would decide positively as far as the destiny of the council was concerned. He said, "I had no doubt, fear or worry, since the matter was placed in the hands of the youth what the decision would be."

The Council's first President said that persons who hold the view that the young people were manipulated or brain-washed, are people who do not fully appreciate the level of the independence of minds of youth in St. Lucia. He said, "When one makes statements about people brain washing youth, and poisoning their minds and so on they really do not sufficiently appreciate the independence of mind the St. Lucian youth today has, and the ability for him to think for himself."

Mr. Michel said, that the National Youth Council is an amalgamation of young people from around the island and the question of ideology is not an issue, as the N.Y.C. cuts across ideological lines.

He said the meeting demonstrated the ability of the youth to stand up for what they believe in, and to express themselves against the back ground of attempts to instill fear and doubt in them.

Last Saturday's meeting has certainly slapped the Minister in the face.

/9274

CSO: 3298/128

ENERGY MINISTER ON DIVERSIFICATION OF OIL EXPORTS MARKET

Caracas EL UNIVERSAL in Spanish 5 Nov 85 p 2-1

[Text] Although in absolute terms exports have gone down about 640,000 b/d [barrels per day] between 1976 and 1984, the truth is that the strategy to diversify both purchasers and geographic areas covered has helped strengthen Venezuela's ability to tolerate the pressures against that policy by purchasers who received Venezuelan oil before nationalization.

According to a document from the Ministry of Energy and Mines, diversification of the export markets of the country was formulated to reduce the vulnerability of our international sales. At the time of nationalization, there was excessive concentration in a small number of multinational enterprises, essentially former concessionaires, as can be seen in the following facts:

In 1976, Venezuela exported 2,156,000 b/d of which 81 percent (1,739,000 b/d) was from multinationals, 337,000 b/d from independents and barely 80,000 b/d from state production. In 1984, the situation was as follows: exports reached 1,517,000 b/d of which only 482,000--that is, 32 percent (compared to 81 percent in 1976)--was handled by the multinationals. On the other hand, 713,000 b/d--that is, 47 percent--was sold by independents. Sales by state enterprises totaled 322,000 or 21 percent. In 1976, Venezuela had 63 foreign clients; today it has 107.

As a result of the diversification, oil sales to multinational companies went from 1,739 MBD [thousands of barrels per day] in 1976 to 482 MBD in 1984. In other words, more than four-fifths of the Venezuelan exports were handled basically by former concessionaires. This volume will decrease even more in 1985 and subsequent years because of the close of the Aruba Refinery by Exxon Corporation and the withdrawal of the Royal Dutch Shell Group from the operations of the Curacao Refinery.

The national oil industry has also diversified oil exports by geographic destination, maintaining a significant presence in its main natural market: North America (the United States and Canada). Chart No. 2 demonstrates the results of this action:

Chart No. 2
Exports of Crude Oil and Refined Products
Geographic Diversification
(Thousands of barrels per day)

<u>Area</u>	<u>1976</u>	<u>Percentage</u>	<u>1984</u>	<u>Percentage</u>
North America	988	46	680	45
Aruba/Curacao	514	24	283	19
Central America/Caribbean	319	15	150	10
South America	80	4	99	7
Europe	229	10	265	17
Japan	7	--	19	1
Others (1)	19	1	21	1
	2,156	100	1,517	100

(1) Includes bunkers

The above chart shows the increase of oil exports to South America, Europe, Japan and other regions and countries in absolute and relative terms. Sales on those markets have risen from 335 MBD (15.5 percent) in 1976 to 409 MBD (17 percent) in 1984.

Exports to Aruba and Curacao have gone down for different reasons including: the policy of diversification itself; the strategic decision to reduce sales of heavy crude oil to refineries with a high yield of by-products whose market has greatly suffered from replacement by alternate sources of energy; and the increase of sales to sophisticated refineries with in-depth conversion for the consumer markets.

The decrease of exports to Central America and the Caribbean is also due to the above factors and the lowest oil consumption in the region, the appearance of entities that operate on the spot market and the application of the San Jose Agreement by which Venezuela and Mexico have equally supplied the imports needed by the countries in the area since 1981.

It should be pointed out that the results of diversification should improve considerably in 1985 through increased exports to the North American market, reduced sales to multinational enterprises (particularly Exxon-Aruba and Shell-Curacao) and the expanded presence of Venezuelan crude oils in refineries with in-depth conversion.

Development of New Markets for Heavy Crude Oils

When the state took the lead in oil exploitation in 1976, the national oil industry faced two challenges whose interdependence led to the formulation of a long-term strategy for marketing Venezuelan heavy and extra heavy crude oils whose proven reserves constitute 65 percent of the total reserves in the country.

In the first place, it was seen that the market for heavy fuels or by-products with the highest volume in total exports--598 MBD in 1976 (28 percent)--had already started to contract. This made it imperative to embark on a set of strategically conceived actions oriented toward reducing the presence of this product on the international market, avoiding a possible surplus that would significantly erode prices and eventually devalue the entire package of Venezuelan exports.

Secondly, the industry began to develop a market for heavy and extra heavy crude oils that responded to the objective of insuring stable long-term alternatives.

With the first phase of national refining standards, the penetration into markets for heavy crude oils and other measures to reduce the sale of by-products to the minimum, Venezuela radically changed the make-up of its oil exports as shown in the following chart:

Chart No. 3
Exports of Crude Oil and Refined Products
Make-up of Exports
(Thousands of barrels per day)

<u>Crudes</u>	<u>1976</u>	<u>Percentage</u>	<u>1984</u>	<u>Percentage</u>
Light	424	20	116	8
Medium	406	19	101	7
Heavy	379	18	723	48
Reconstituted	161	7	67	4
Total	1,370	64	1,007	67
<u>Products</u>				
Low sulfur by-product	165	8	35	2
High sulfur by-product	433	20	192	13
Naphthas/Gasolines	69	3	135	9
Distillates/Diesel	55	2	112	7
LPG	39	2	3	--
Bunkers	21	1	15	1
Asphalt and others	4	--	18	1
Total products	786	36	510	33
Total exports	2,156	100	1,517	100

Exports of heavy crude oil have gone from 379 MBD in 1976 to 723 MBD in 1984. In other words, about 5 out of every 10 barrels that the country sells on the international market are heavy crude oils. Exports of by-product fuels have gone down from 598 MBD in 1976 to 227 MBD in 1984 while those of white products (naphthas, gasolines and distillates) have risen from 124 MBD to 247 MBD during the same period.

GOVERNMENT ANNOUNCES INCREASE IN OIL ROYALTIES

Caracas EL UNIVERSAL in Spanish 7 Nov 85 p 2-1

[Article by C. R. Chavez: "Oil Royalties Will Increase"]

[Text] As part of the new oil revenue plan based on the rate of exchange of 7.50 bolivars per dollar, the Venezuelan Government resolved to increase the price of oil royalties (17 percent of production) that the National Treasury collects from \$14 to \$22. This means that the treasury will collect 17,394,000,000 bolivars in oil royalties in 1986 instead of the 11,059,000,000 bolivars based on a global production of 1.7 million b/d [barrels per day] and the old price of \$14. This will substantially increase government oil revenue.

Oil and Budget

According to the explanation of the 1986 budget, the oil revenue was estimated based on exports of 1.41 million b/d at an average price of \$24.50 per barrel, the same as planned for 1985.

After the OPEC conference last year, the government decided to adjust the price and the amount exported. It has been set at 1,356,000 b/d for 1985.

The Central Budget Office reports a reduction in the price per barrel based on the average received--that is, 80 cents per barrel less than the oil industry expected.

According to the Income Tax Law, the sales price for exports beginning in 1986 cannot exceed government prices for hydrocarbons by more than 20 percent compared to a margin of 25 percent applied until 1985.

Domestic sales of hydrocarbons and liquid natural gas in 1986 are equal to that budgeted in 1985: 325,000 b/d and 182 b/d of equivalent oil, respectively.

In the first 7 months of this year, 322,800 b/d of liquids and 172,000 b/d of equivalent oil in natural gas have been sold on the domestic market.

The plan to replace liquid oil with natural gas is expected to continue in 1986.

It is estimated that the 1986 operating costs of PDVSA [Venezuelan Petroleum, Inc.] will increase in relation to anticipated inflation and due to the impact of the increase in the exchange rate from 6 bolivars to 7.50 bolivars for its imported components. The explanation revealed: "The legal deductions for oil royalties and the legal contribution that the operators must give to the main office together total 23,554,300,000 bolivars. The oil royalty was calculated based on planned production of 1,731,000 b/d of liquid hydrocarbons which means 631.81 million barrels per year and an average fiscal contribution of \$3.67 per barrel for a total of 17,394,700,000 bolivars. It should be pointed out that the new average liquidation price of the royalty takes the revision and updating of the market price of oil into consideration. It generally went up from \$14 to \$22 per barrel--that is, a little more than 50 percent.

The entry of 66,038,800,000 bolivars for planned government oil revenue takes into account the legal system established by the tax on earned income. Some 45.49 billion bolivars will be received in 1986. In addition, 3,098,800,000 will come from the earned income tax in 1985 and 33.3 million bolivars from the tax on enterprises that provide technological services to the industry.

An entry of 69.2 million bolivars is included in the 1986 government budget for the activities of the iron industry through Ferrominera Orinoco.

Current expenses will total 49,487,000,000 bolivars, an increase of 0.8 percent. This is 46 percent of total expenses.

The Ministry of Finance, Ministry of Domestic Relations, Ministry of National Defense, Ministry of Education, Ministry of Health and Ministry of Transport and Communications will absorb 86 percent of the total expenses.

The objective of the National Executive Branch is to encourage a 3-percent growth in the GNP and increase employment.

Capital expenditures of 20,818,000,000 bolivars will absorb 19.4 percent of the total planned expenses.

About 34 percent of the total expenses will be allocated for public debt service. This represents 36,626,000,000 bolivars.

Some 548 million bolivars have been reserved for "budget corrections."

The revenue has been estimated as follows: oil sector, 66,038,000,000; and the iron industry, 69.2 million. The two together contribute 61.5 percent of the budget. Domestic revenue makes up 38.5 percent of the remaining contribution for a total of 41,371,000,000 bolivars. This domestic revenue, however, represents a decrease of 3.4 percent compared to 1985 due to the new rate of exchange for the petrodollar, especially in revenue for exchange operations.

This is the bill that has been presented to Congress. It must be analyzed in depth by the technical committees and political factions in Parliament. Since more than 61 percent of the budget will depend on oil, some changes must be made in the revenue estimates and, of course, in the proportional distribution of expenses in view of the events that are occurring in the international oil market which directly influence the volumes and prices of this resource. Oil revenue might not be as high as has been planned in the mentioned bill.

7717

CSO: 3348/181

BRIEFS

FOREIGN EXCHANGE EARNINGS--Despite the fact that in the first 10 months of the year the total foreign exchange revenue received by the Central Bank of Venezuela went down \$1,397,000,000 compared to the same period last year, foreign exchange transactions showed a surplus of \$1.11 billion. This is because the reduction in revenue was partially compensated for by a \$1,213,000,000 decrease in total expenditures of \$11,878,000,000. The reduction in foreign currency expenditures is due basically to lower payments for imports and public and private debt service. This saved \$1,141,000,000 in foreign currency. Payments for public and private foreign debt service went down \$435 million this year compared to the same period last year. However, it must be noted that payments for public foreign debt service went down \$822 million because of a reduction in interest rates. On the other hand, payments for private foreign debt service went up \$387 million as a result of greater standardization in registration and recognition of the debts of the private sector. The amount allocated for public and private imports went down \$706 million. The Central Bank's foreign reserves at the end of October totaled \$13,611,000,000 of which \$8,106,000,000 correspond to operational reserves. [Text] [Caracas EL UNIVERSAL in Spanish 7 Nov 85 p 2-1] 7717

CS0:3348/181

- END -

**END OF
FICHE
DATE FILMED**

16 January 1986